

HOMES FOR PEOPLE HOUSING STRATEGY

2014-18



PLANNING FOR FUTURE GROWTH
melbourne.vic.gov.au/housing





A CITY FOR PEOPLE

We support our community members – whatever their age, sex, physical ability, socio-economic status, sexuality or cultural background – to feel like they can be active, healthy and valued. We plan and design for our growing city, including safe, healthy and high-quality public spaces.

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STRATEGY SNAPSHOT

Our aspiration

Housing is a fundamental human need and the foundation of a good quality of life. It plays an important role in people's health and wellbeing, in people's ability to access jobs, in bringing communities together and in shaping our city. Homes are private places to retreat, relax, unwind and sleep, to cook, socialise, study or work, to raise children, recuperate, to celebrate and to just be.

This Housing Strategy, *Homes for People*, a priority action for the City of Melbourne, helps achieve our established aspiration for an inner and central city where housing is affordable, well-designed and meets the diverse needs of our residents. It concentrates on new housing in our growth areas (our urban renewal areas and the Hoddle Grid), where the majority of new housing will occur. The strategy focuses on apartments as they are, and will continue to be, the predominant housing choice in the municipality.

It is based on a thorough evidence base to provide clear, achievable actions that reflect the City of Melbourne's role and sphere of influence. A commitment to ensuring everyone can enjoy a good quality of life, now and into the future, underpins this strategy.

Future Living

We began a housing conversation in 2013 with the release of our discussion paper *Future Living* which identified the current housing challenges in the municipality. We engaged extensively with the community and industry stakeholders on how we could help overcome the barriers currently in place to achieving our aspiration.

You told us that the City of Melbourne has a good understanding of housing issues and is well placed to act, working in partnership with key stakeholders to help achieve our aspiration.

Housing challenges

Housing is one of the most broad and complex issues faced by cities today and Melbourne is no exception. We have identified some key pieces of knowledge around housing in the City of Melbourne that help us understand and address the challenges we face. They are:

- Government has an important role in influencing housing outcomes.
- Affordability means different things to different people.
- There is a need for more affordable (subsidised) housing in the municipality.
- Tax structures favour homeowners and property investors.
- Our problem is not land supply.
- High land values and construction costs are impacting affordability, housing mix and design quality.
- Development finance and viability are crucial to deliver new housing.
- Investors have a dominant influence on the (lack of) housing mix and quality.
- Buying a home in the inner city is outside the reach of many households.
- High levels of housing supply isn't delivering a good housing mix and social diversity.
- Quality, amenity and performance are decreasing while density is increasing.
- The majority of high-rise housing in our municipality delivers poor environmental performance.
- Mix and affordability impact on long-term community building and support for a vibrant cultural life.

Homes for People helps achieve our established aspiration for an inner and central city where housing is affordable, well-designed and meets the diverse needs of our residents.

Our housing goals

Homes for People has the following three goals that will help us achieve our aspiration. The goals address our housing challenges and have been strongly informed by industry stakeholders and the wider community. They are interdependent and are required for the long term sustainability and liveability of Melbourne.



GOAL 1

HELP PROVIDE AT LEAST 1721 AFFORDABLE HOMES (SUBSIDISED) FOR LOW AND MODERATE INCOME EARNERS BY 2024



GOAL 2

IMPROVE THE DESIGN QUALITY AND ENVIRONMENTAL PERFORMANCE OF NEW APARTMENTS



GOAL 3

FOSTER A HIGH LEVEL OF AWARENESS AND KNOWLEDGE AROUND GOOD HOUSING OUTCOMES

The City of Melbourne has identified the following 11 actions to help achieve our goals over the next three years. The actions work together, as in some instances an action may help to deliver more than one goal.

1. Affordable housing on City of Melbourne owned land

As part of the comprehensive redevelopment by the City of Melbourne of land it owns, we will consider including up to 15 per cent of dwellings constructed being made available as affordable housing to a registered Affordable Housing Provider.

2. Development bonuses

Support development bonuses to incentivise the provision of affordable housing through the planning scheme in Arden-Macaulay and encourage in other new urban renewal areas (Fishermans Bend and E-gate).

3. Victorian Apartment Design Standards (underway)

Work with the Victorian Government and other key stakeholders to deliver the Victorian Apartment Design Standards.

4. Ratings tool

Work with the Victorian Government and other stakeholders to create a ratings tool for new housing development.

5. Higher density living paper

Work with the Victorian Government and other stakeholders on a good design and higher density living paper.

6. Good housing campaign

Develop a campaign to help raise awareness of good housing.

7. Resident surveys

Undertake surveys of residents living in apartments in new high density developments to help inform future actions, policies and the market.

8. Inner city coordination

Coordinate the successful delivery of local housing strategies with the Metropolitan Planning Authority, members of the Central Subregion and the Inner Melbourne Action Plan.

9. Housing Advisory Committee

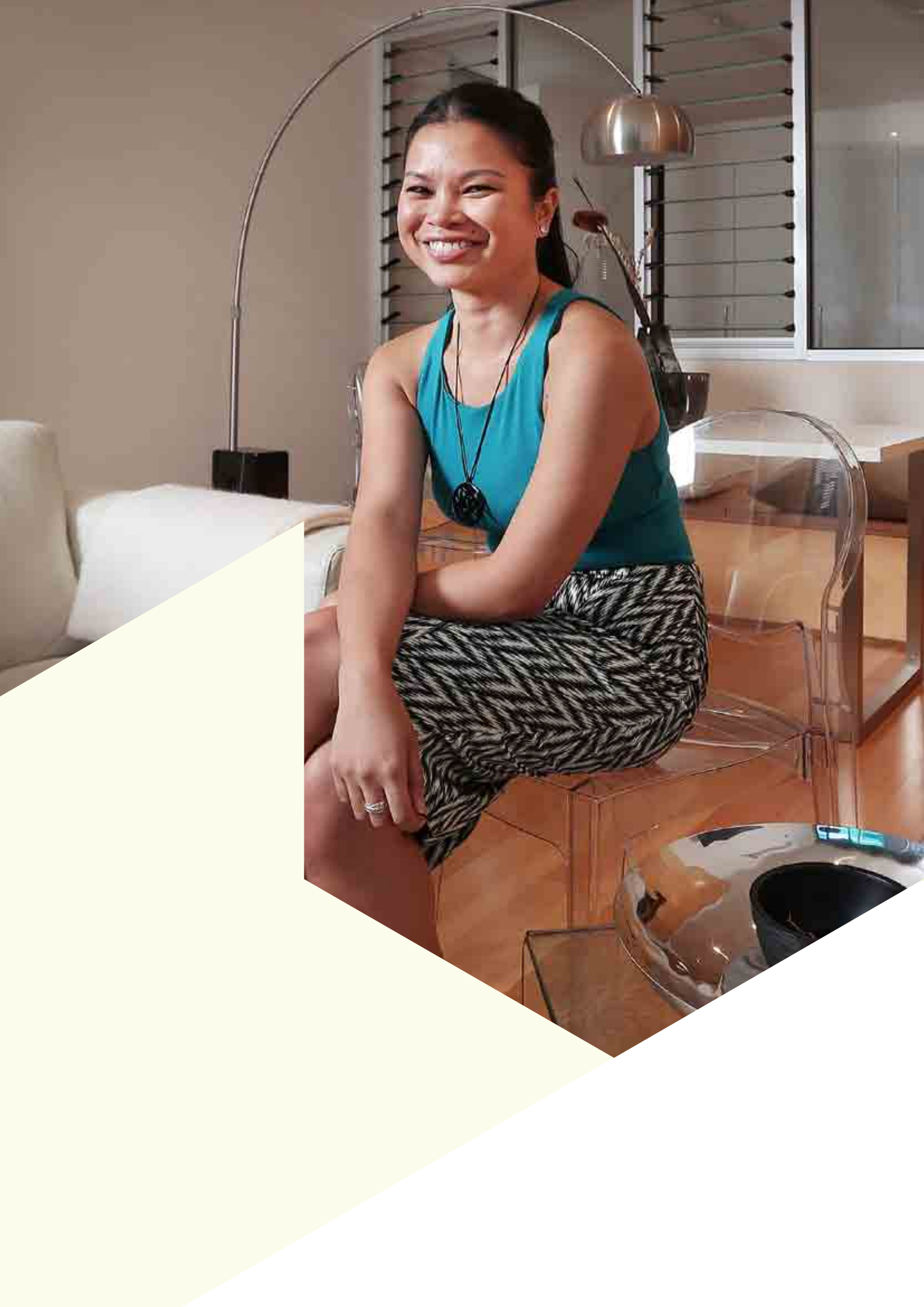
Set up a Housing Advisory Committee to help develop evidence, knowledge and partnerships with industry and community stakeholders and help implement the Housing Strategy.

10. Annual reporting

Report annually to the Future Melbourne Committee on the implementation of the Housing Strategy.

11. City of Melbourne Apartment Design Standards (if required)

Develop a planning scheme amendment for improved apartment design quality in the municipality to complement the Victoria-wide standards.



PART ONE

OUR ASPIRATION AND CHALLENGES

In this part you will find out:

- Why we have produced a housing strategy and what the strategy covers
- What we learnt during our community engagement on *Future Living* and the draft Housing Strategy
- The key pieces of knowledge around housing that help us understand and directly address the challenges we face

1. WHAT ARE WE TRYING TO ACHIEVE?

Our aspiration

The City of Melbourne's vision is to be a *bold, inspirational and sustainable city*. It is important that we meet our responsibilities to our community and do the most that we can within our sphere of influence to achieve positive housing outcomes for the city.

To this end, the preparation of this Housing Strategy, *Homes for People*, is a priority action for the organisation. It helps achieve our established aspiration for an inner and central city where housing is affordable, well-designed and meets the diverse needs of our residents (derived from our *Municipal Strategic Statement* in the *Melbourne Planning Scheme*).

The importance of housing

Housing is a fundamental human need and the foundation of a good quality of life. It plays an important role in people's health and wellbeing, in people's ability to access jobs, in bringing communities together and in shaping our city. Homes are private places to retreat, relax, unwind and sleep, to cook, socialise, study or work, to raise children, recuperate, to celebrate and to just be.

Housing plays a critical role in the economy by stimulating investment and job growth. Buying a home is typically the largest purchase a person will make in their life, undertaking a significant debt commitment for longer-term financial security. Eighty five percent of new apartments are being purchased by investors, emphasising the importance housing plays as a financial product in the municipality.

Many of the current challenges in delivering our aspiration come from the dual and sometimes competing role that homes play as a financial asset and as the foundation of a resident's or community's health and wellbeing.

Future Living

We began a housing conversation in 2013 with the release of our discussion paper *Future Living* (City of Melbourne, 2013d) which was informed by an expert industry panel and background evidence papers (City of Melbourne, 2013a, 2013b, 2013c). *Future Living* identified the current housing challenges in the municipality as:

Declining housing affordability

Insufficient affordable housing for vulnerable community members

Poor access to affordable housing for low income key workers

Rising costs of housing outpacing growth and inflation

Poor diversity of housing choices

Housing designed as an investor product

Predominance of 1 and 2 bedroom apartments

Lack of schools impacting demand for family living in the city

Lack of resilience in housing stock

Poor quality design and amenity

Shrinking apartment sizes

Poor apartment layout and amenity

Poor environmental performance

Feedback from the community on *Future Living* generally favoured issues and options around housing affordability and design quality rather than housing diversity. This was consistent with the findings from industry stakeholders who suggested that a diversity of housing choices could be seen as an outcome of more affordable and better quality homes. Options to improve the design quality, amenity and environmental performance of housing were seen as more important to residents already living in the municipality, whereas those who aren't placed a greater emphasis on housing affordability.

Most importantly, you told us that the City of Melbourne has a good understanding of housing issues and is well placed to act, working in partnership with key stakeholders to help achieve our aspiration.

More detailed findings from this engagement are referenced throughout this strategy and detailed in *Future Living Community Engagement Findings* (City of Melbourne, 2013e).

744 pop-up and online participants during the community engagement program on *Future Living*

Delivering the strategy

A draft version of *Homes for People* was released for community engagement from June to August 2014. The draft strategy was widely promoted and received significant media coverage.

The consultation, utilising the City of Melbourne's online engagement portal *Participate Melbourne*, focussed on feedback on the three goals and 12 actions in the draft strategy. One hundred and three responses were received which have helped inform the final strategy. There was strong overall support for the draft strategy.

Further clarification and explanation has been included in the final strategy to respond to the comments received. More information on the consultation on the draft strategy, including detailed responses to each submission, is included in *Homes for People Draft Housing Strategy Consultation Summary Report* (City of Melbourne, 2014b and 2014c).

This final version of *Homes for People* was endorsed, subject to amendments, by the Future Melbourne Committee on 9 December 2014.

This final version incorporates the amendments as agreed by the Future Melbourne Committee and the actions have been renumbered accordingly. The Future Melbourne Committee also requested a further review of the strategy when Commonwealth-State arrangements on housing are finalised. More information on the implementation and review of the strategy is included in Chapter 5.

Victorian Government context

Plan Melbourne, the Victorian Government's Metropolitan Planning Strategy released in 2014, generally supported the findings of *Future Living*, in particular the need to improve apartment design quality. It recognised that *Future Living* provided a comprehensive assessment of many of the issues that need to be addressed in terms of quality, design and layout of apartment developments.

The recently released draft *Planning Policy Framework* (PPF), which proposes updates to the existing *State Planning Policy Framework* (SPPF) includes objectives to improve housing outcomes, including to provide for a

range of housing types, to improve housing affordability in areas close to jobs, transport and services and to support well-designed housing. A number of strategies are identified to support each objective which include facilitating affordable housing, a mix of housing types and to design development to provide good amenity for residents.

Australia's other capital cities, particularly Sydney, are also experiencing significant housing affordability issues, as are many other global cities with significant population growth, including London, New York and Vancouver.

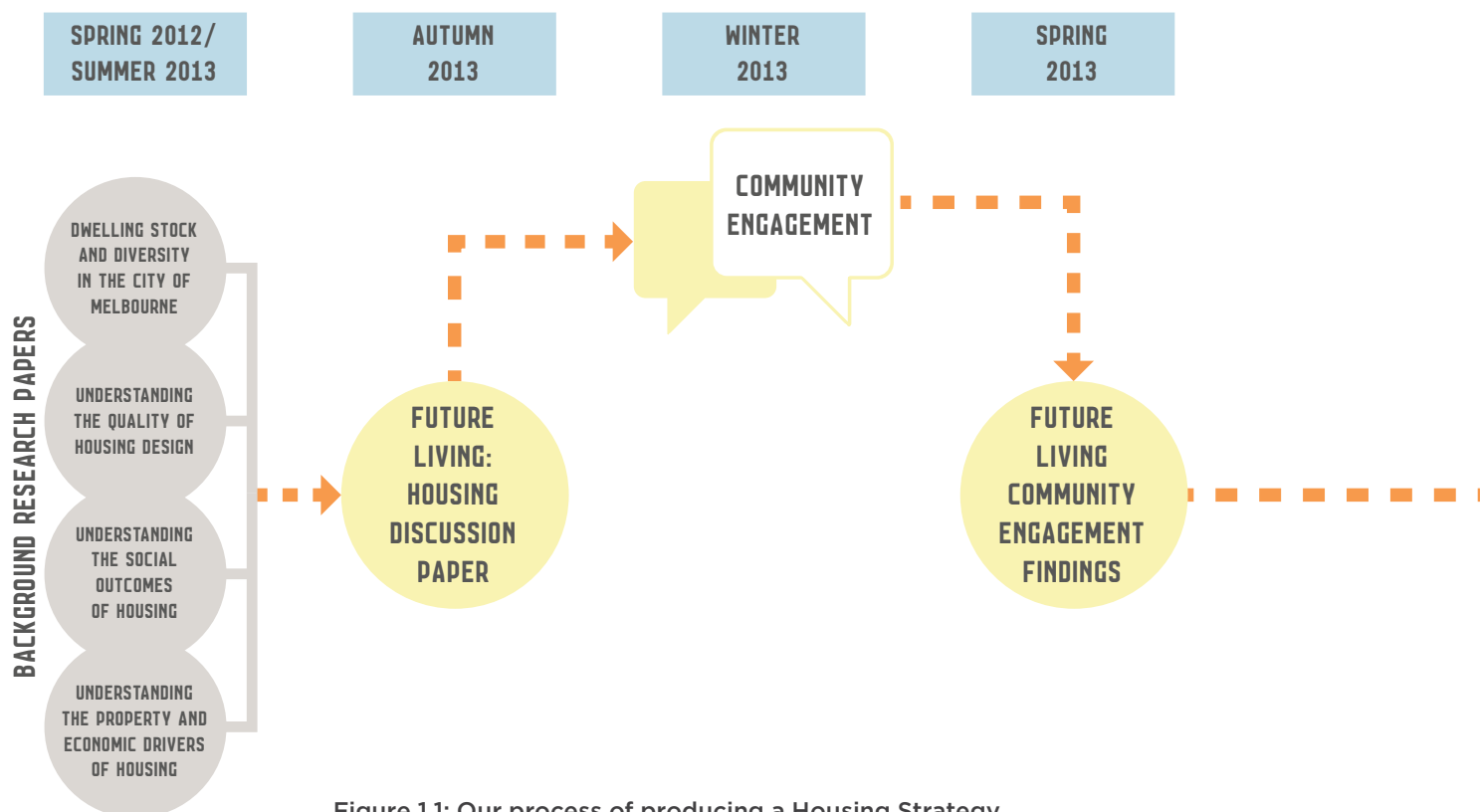


Figure 1.1: Our process of producing a Housing Strategy

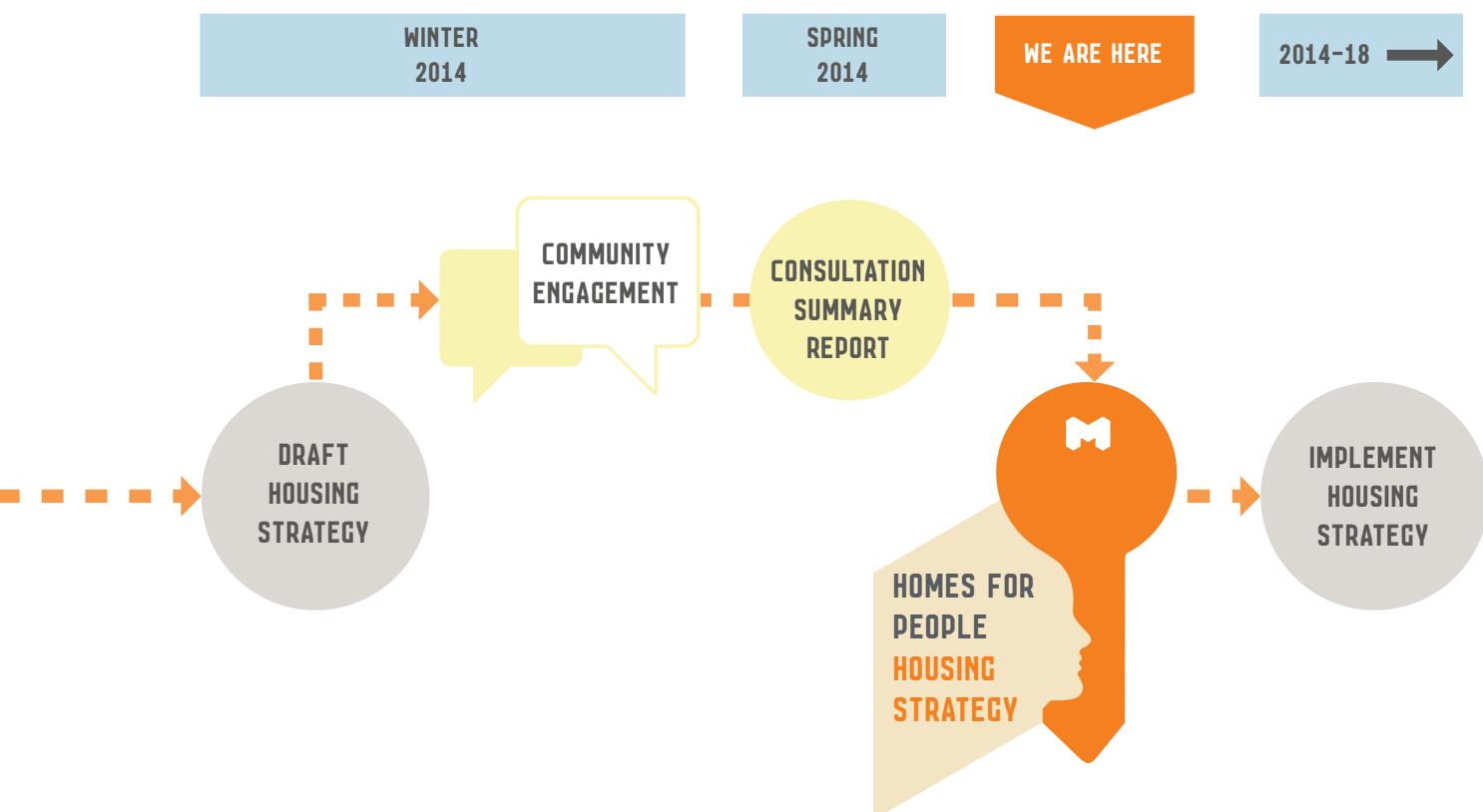
Our growth

The City of Melbourne is growing quickly and will continue to do so. Since 2001, our residential population has doubled to more than 116,000 people living in more than 68,000 homes. Our residents are attracted to the lifestyle, education and work opportunities, services and conveniences.

This growth is expected to increase in the near future with the number of dwellings under construction increasing rapidly. In 2013, the City of Melbourne was the fastest growing local government area in Australia with 11,000 new residents. There were more than 3000 dwellings completed in 2013 which is expected to increase to 5000 dwellings in 2014 and then up to 8000 in 2015.

By 2021, the residential population of the municipality is estimated to be over 150,000 residents living in 92,000 homes, increasing to over 190,000 residents living in over 115,000 homes by 2031.

Employment growth over the coming years and decades is also projected to remain strong and will continue to drive housing demand in the municipality. It will be important, therefore, to ensure that workers essential to Melbourne's economic future are able to live close to new jobs.



Melbourne is well known as a vibrant city where education, cultural diversity and innovation are supported and celebrated. This requires housing that is affordable to students and those working in the creative arts and other similar fields. Our reputation as a thriving city of the arts and education could be threatened if housing affordability continues to decline.

Plan Melbourne predicts there will be an additional 310,000 dwellings in the central city and surrounds by 2051. This area, referred to as the 'Central Subregion' in *Plan Melbourne*, is projected to grow from 485,000 residents in 2013 up to 765,000 residents by 2031.

This will help support Melbourne's central city as Australia's largest business centre with a growth from 435,000 jobs in 2011 to almost 900,000 jobs by 2051.

Considering the predicted growth, our aspiration for affordable, well-designed housing is not only a basic requirement for people from all walks of life but is also an essential component in creating successful neighbourhoods and servicing a growing economy. It is important to leave a positive lasting legacy which successfully balances the social, environmental and economic needs in one of the world's most liveable cities.

**116,447 residents
are currently living
in the City of
Melbourne
(ABS, June 2013)**

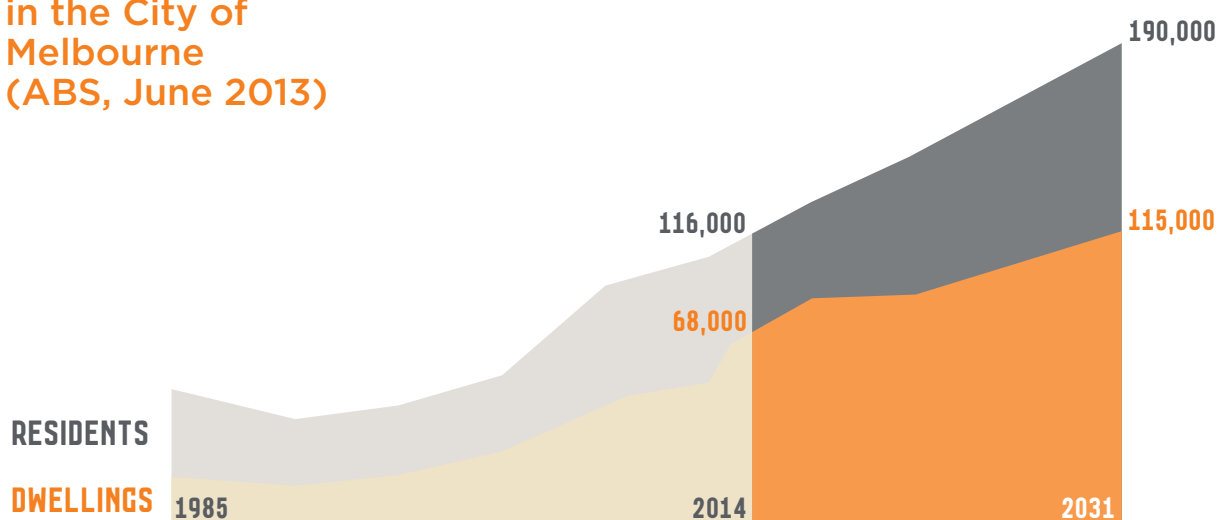


Figure 1.2: Historical, current and projected population and dwelling growth in the City of Melbourne

This is recognised in *Plan Melbourne*, which states that the Victorian Government will provide a diversity of housing in defined locations that cater for different households and are close to jobs and services. *Plan Melbourne* identifies that a lack of affordable housing for workers closer to their workplace can impact on their quality of life, due to long commutes to work and higher transport costs.

Ensuring that everyone has access to affordable, safe and sustainable housing is a central aim of the *National Affordable Housing Agreement* (COAG, 2009) signed by the Australian and state and territory governments. This will require the full cooperation of all levels of government, the private sector and the not-for-profit sector to find positive, realistic and achievable solutions.

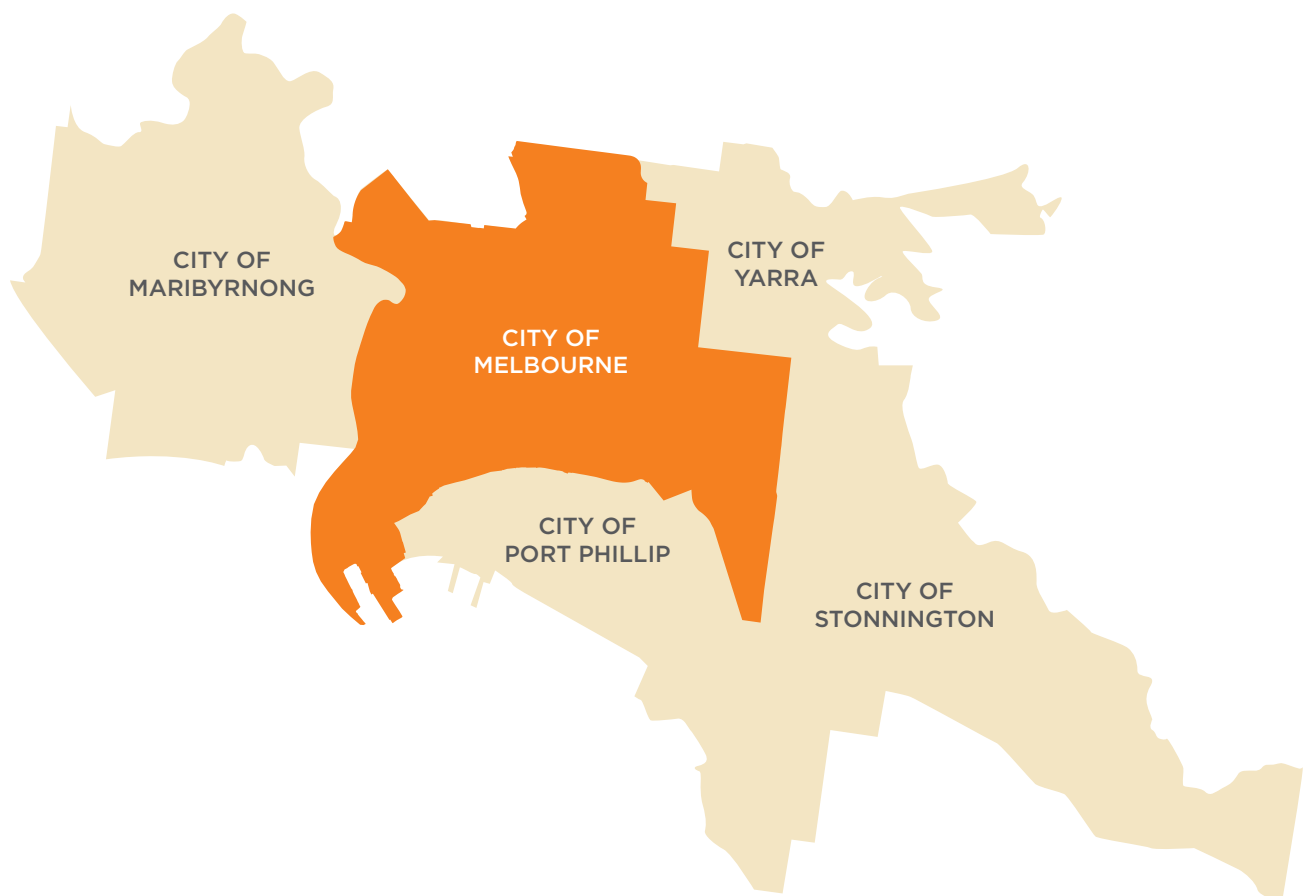


Figure 1.3: The Central Subregion area as identified in *Plan Melbourne*

2. WHAT DOES THIS STRATEGY COVER?

Homes for People provides a robust, short to medium term framework for the City of Melbourne to help us achieve our housing aspiration. It is based on a thorough evidence base to provide clear, achievable actions that we can do within our local government role and our sphere of influence.

A commitment to ensuring everyone can enjoy a good quality of life, now and into the future, underpins this strategy. This means ensuring that there are homes to meet the needs of those who want to live in the municipality at all stages of their lives and whatever their circumstances and designed so that they actively enhance the quality of the neighbourhoods in which they are located.

In effect, the strategy is attempting to answer the following over-arching questions that balance community need and the financial viability of development:

How can we help deliver more affordable housing while improving the design quality and amenity of new homes?

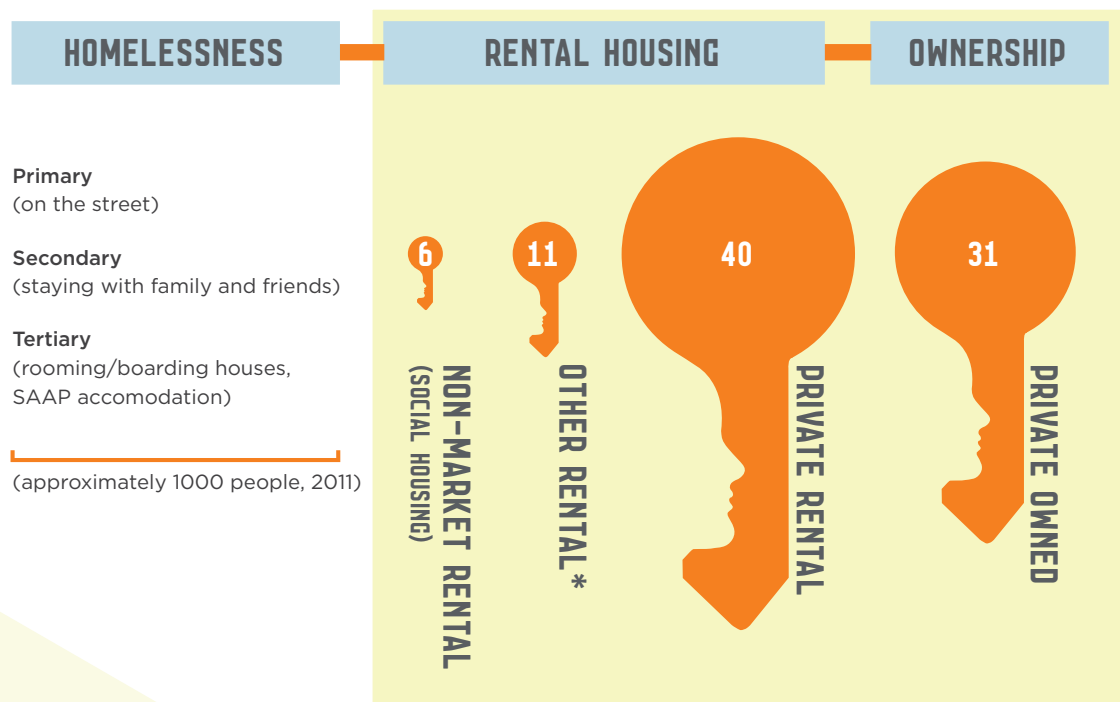
How can we do this in a way that meets the diverse needs of our residents, while still ensuring enough new housing is built for our increasing population?

We can't do this alone. Building successful partnerships with a range of stakeholders is going to be key to help achieve our aspiration. This includes the Victorian Government, the not-for-profit sector including community housing providers and, crucially, the private sector who build the majority of new homes.

Plan Melbourne states that the Victorian Government should work with local governments on mechanisms to facilitate greater diversity of housing within new developments including family-friendly housing, affordable and social housing and housing for key workers.

Homes for People sets out the mechanisms (in the form of actions) which we can initiate to help achieve this. The actions will be realised primarily through the development process and planning system, which the City of Melbourne is responsible for managing.

It is hoped that the goals and actions in this strategy will help play an important part in ensuring Melbourne remains one of the world's most liveable cities for everyone who chooses to live here.



*Other rental - person not in same household/housing co-operative, community or church group/other landlord type/landlord type not stated

Other - 12% - being occupied rent free/under a life tenure scheme/house-sitting/payment in kind

Figure 2.1: A housing continuum showing the different ranges of housing; homelessness is included when all other housing options are inaccessible. The yellow area highlights the area covered by *Homes for People*. Homelessness is explored and addressed in *Pathways: City of Melbourne Homelessness Strategy 2014-2017*. The larger the key the more of that housing type in the City of Melbourne - the numbers refer to the percentage of City of Melbourne households in that particular housing type.

Apartment living in our growth areas

The strategy focuses on apartments as they are, and will continue to be, the predominant housing choice in the municipality. Apartment designs can vary greatly within a range of different building scales and development forms.

The strategy addresses different housing tenures with a focus on non-market rental housing (a form of social housing), private market rental and ownership (see figure 2.1). Public housing (another form of social housing) is the responsibility of, and is run by, the Victorian Government. Homelessness is explored and addressed in *Pathways: City of Melbourne Homelessness Strategy 2014-2017*.

Homes for People concentrates on new housing in our growth areas (our urban renewal areas and the Hoddle Grid) where the majority of new housing will occur, as identified in our *Municipal Strategic Statement* (see figures 2.2 and 2.3). These areas offer significant development opportunities for new high density housing. As such, this strategy does not cover the implementation of the new residential zones within the *Melbourne Planning Scheme*, most of which are designated as 'stable' residential areas with low housing growth.

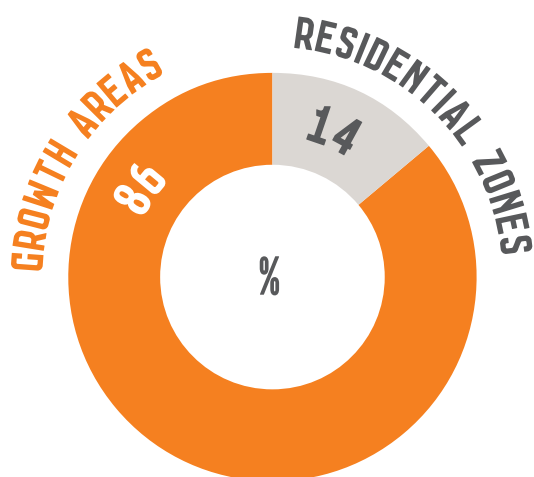


Figure 2.2: The percentage of new housing expected to occur within our growth areas (urban renewal areas and the Hoddle Grid) compared to in the proposed residential zones.

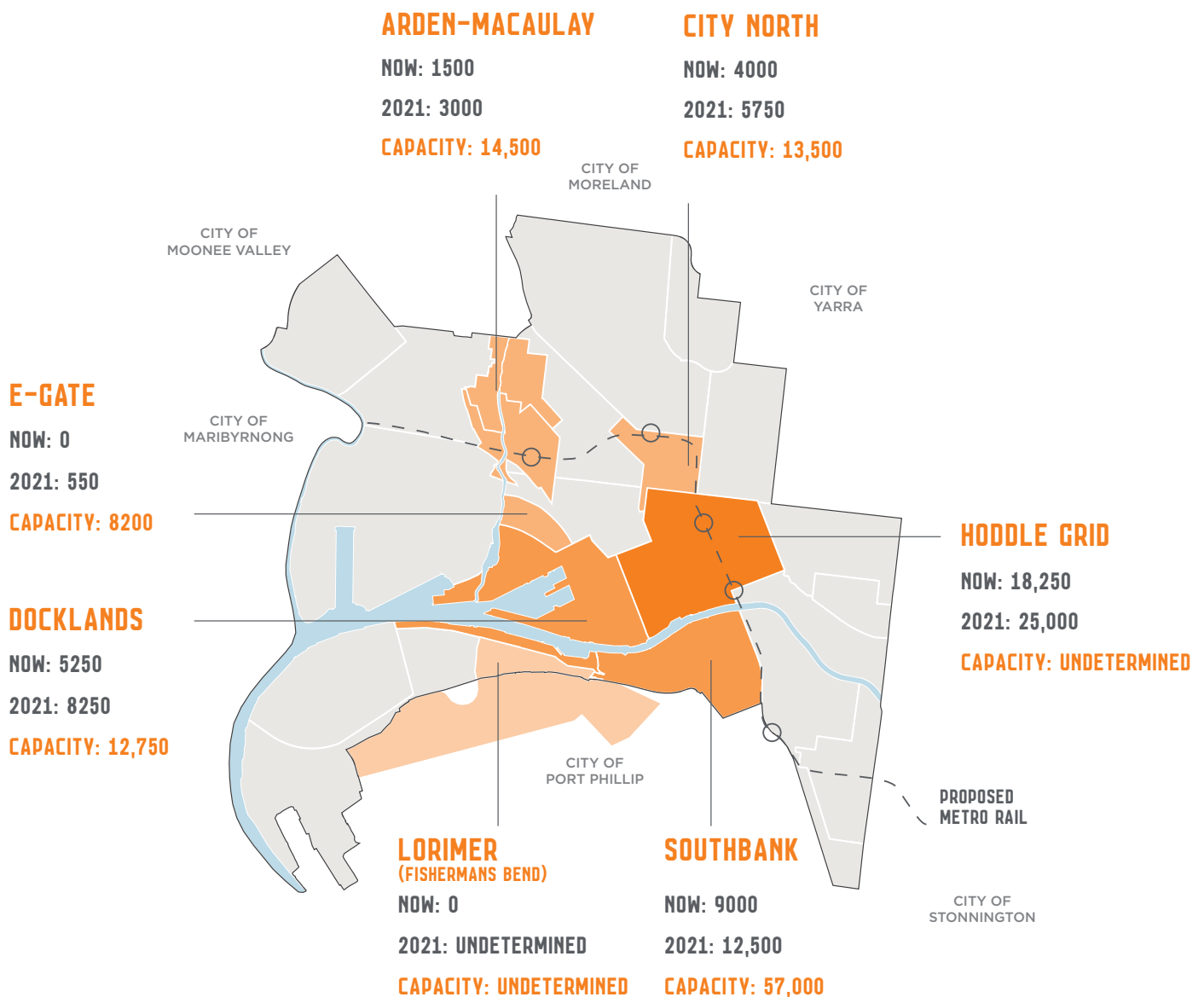


Figure 2.3: Our growth areas including our urban renewal areas and the Hoddle Grid and the current number of dwellings now, the expected number of dwellings by 2021 and the total capacity of each area where known.

(Capacities derived from structure plans and the Victorian Government's discussion paper *Melbourne, lets talk about the future*)

3. WHAT IS HAPPENING NOW?

Housing is one of the most broad and complex issues faced by cities today and Melbourne is no exception. This chapter highlights some of the key pieces of knowledge around housing in the City of Melbourne that together help us understand and then directly address the specific challenges we face in achieving our aspiration.

Government has an important role in influencing housing outcomes

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All three tiers of government directly influence housing outcomes (see figure 3.1). The Australian Government is responsible for running national housing programs and providing funding for housing services to state and territory governments.

The Victorian Government is responsible for funding, administering and delivering social housing and homelessness services and providing financial support to renters through private rental assistance. The Victorian Government also has an important role in statutory and strategic planning in Victoria through the Department of Environment, Land, Water and Planning (DELWP).

The City of Melbourne has direct influence through planning policy, development assessment and financial investment in community housing and indirect influence through the provision of infrastructure like community centres and parks.

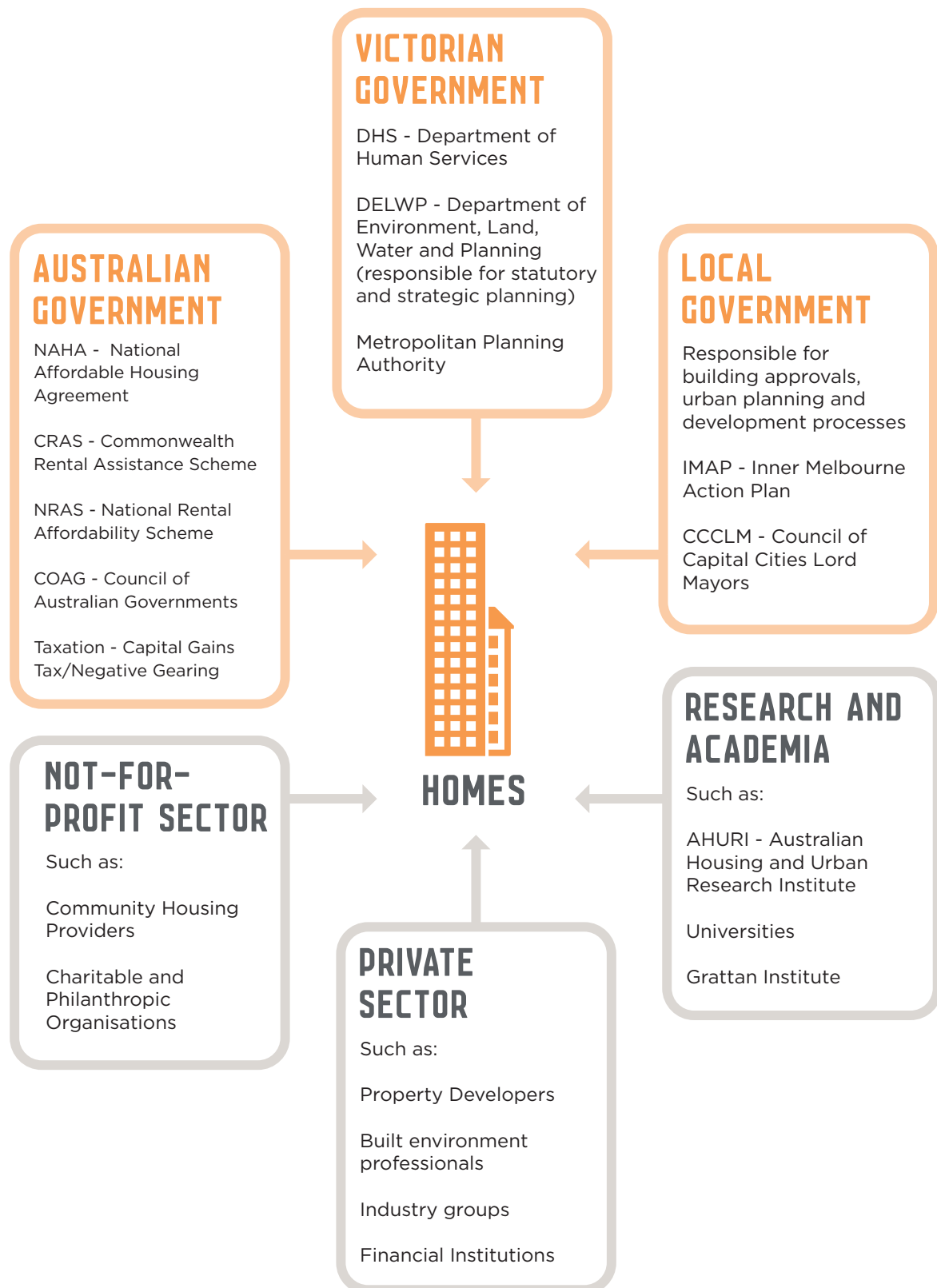


Figure 3.1: The role of different sectors in the delivery of new housing

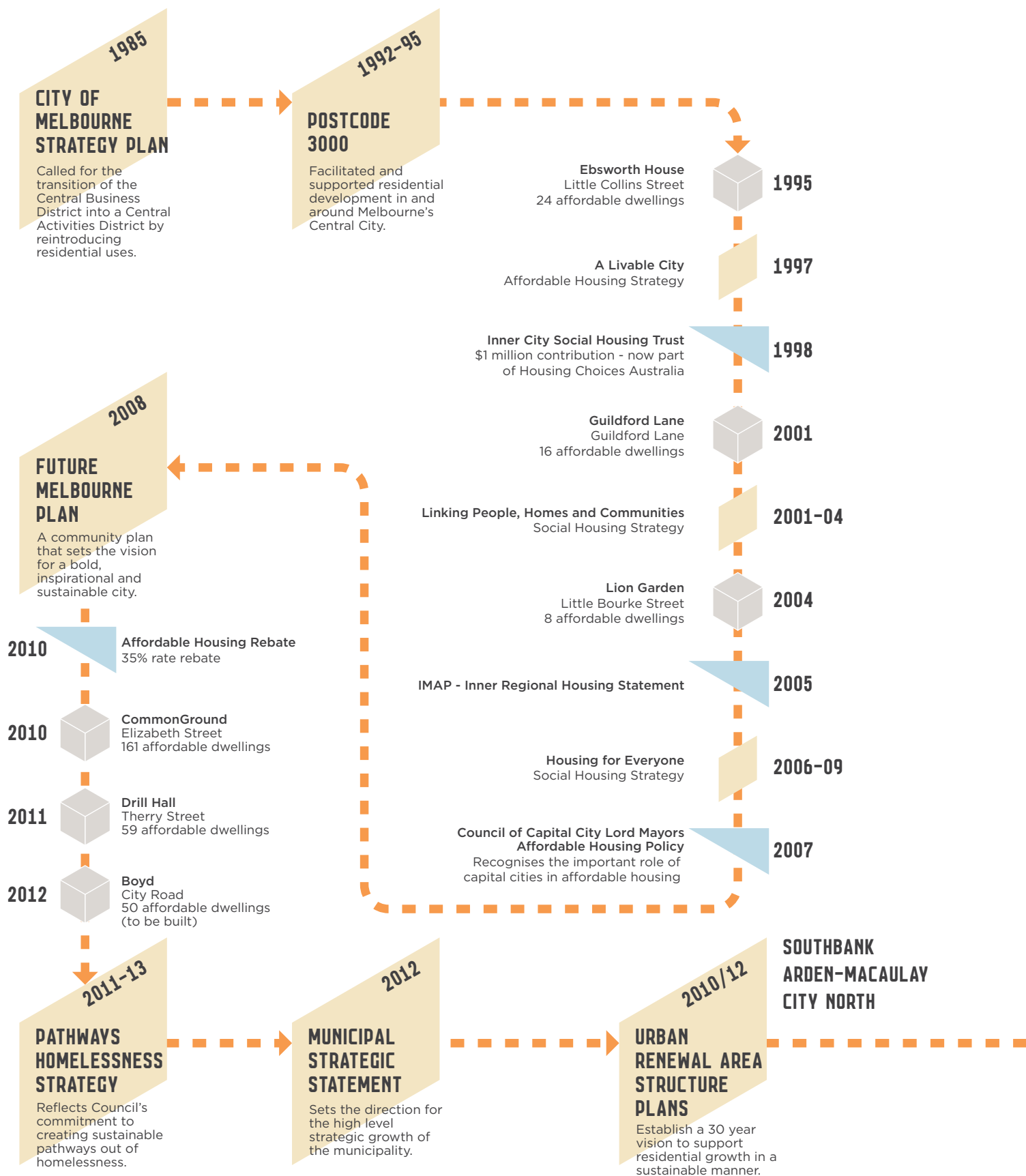


Figure 3.2: A summary of the City of Melbourne's role in housing since 1985

The City of Melbourne's long-term involvement in housing since 1985 is illustrated in figure 3.2. In 2012 the City of Melbourne required 50 affordable homes as part of the redevelopment of the Boyd School site on a City of Melbourne owned site in Southbank. Currently, in addition to the goals and actions in this draft housing strategy, we offer a 35 per cent rate rebate to registered affordable housing providers.

We are also committed to reducing homelessness and our strategy *Pathways* reflects our commitment to creating sustainable pathways out of homelessness.

Research from the University of Melbourne's *Getting to Yes* project (Martel, A., Whitzman, C., Fincher, R., Lawther, P., Woodcock, I. and Tucker, D., 2014) found that all industry sectors believe that government-led solutions, including planning policy changes and infrastructure spending, are the most feasible enablers of more diverse and affordable housing.

This finding supports that by Rowley and Phibbs (2012) in Sydney and Perth about the conflicting desire of the development industry to have less government involvement in the development process, and at the same time, more involvement in the process, such as targeted planning policies and more infrastructure.



Affordability means different things to different people

The terms 'housing affordability' and 'affordable housing' are often used interchangeably and can sometimes have different meanings by different organisations. In the context of this strategy, the terms 'housing affordability' and 'affordable housing' have specific meanings as explained below.

Housing affordability

'Housing affordability' is a measure of whether market housing may be afforded by certain groups of households. According to the most commonly used benchmark, housing is considered unaffordable when rent or mortgage payments exceed 30 per cent of the gross household income for low and moderate income households. This is commonly termed 'housing stress'.

The reality is that the definition of housing affordability varies for every household and is dependent on particular life circumstances at a particular time which consider other costs, such as transport, childcare, healthcare or education. A total household's budget, therefore, provides a more complete and accurate framework of the full costs of living. This concept is often referred to as 'affordable living'. Importantly, affordable living accounts for the differing household costs that are determined by the location of the home. In the inner city, for example, transport costs could be significantly lower and, to some degree, compensate for higher rent or mortgage payments.

From a broad policy perspective it is not possible or practical to evaluate these different circumstances for every household within the municipality. The 30 per cent threshold of housing affordability, therefore, still provides the

most useful benchmark of the housing situation in the municipality. It is also consistent with the way affordability is measured in other states including New South Wales and by the Council of Australian Governments (COAG).

Affordable housing

'Affordable housing' refers to housing outside the main housing market which is subsidised below the market rate and provided to specified eligible low and moderate income households whose needs are not met by the market.

During the community engagement on *Future Living*, 85 per cent of all participants chose at least one issue relating to housing affordability as one of their top five housing issues (see figure 3.3). The issues of 'buying a home is unaffordable' and 'rent is too high' were the top housing issues for all participants, irrespective of whether they lived within or outside of the municipality. Students, emergency workers, hospitality workers, renters and those who lived in an apartment considered issues related to affordability to be more important compared to the average response.

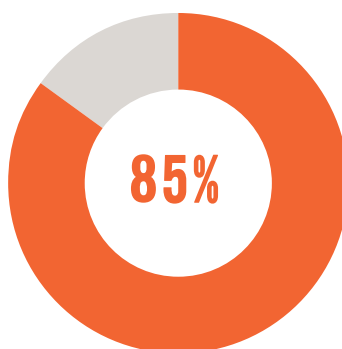
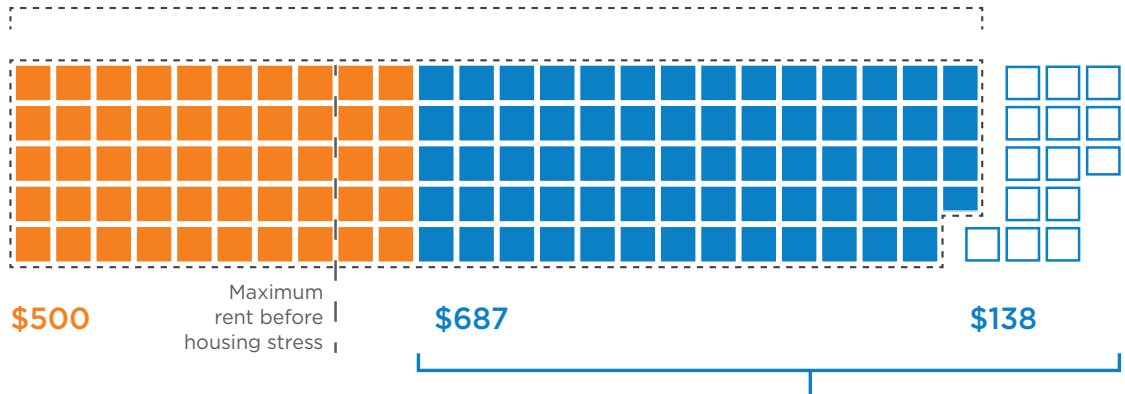


Figure 3.3: The percentage of all participants who chose at least one housing issue relating to affordability in the community engagement on *Future Living*

\$1187

Median City of Melbourne household income
(dual income)



**Median weekly rent
(2 bedroom apartment)**

Figure 3.4: Understanding weekly housing costs and expenses for a median household income in the City of Melbourne

This household earns the median gross weekly income in the City of Melbourne of \$1352. With two income earners, they have a net weekly disposable income of \$1187, after tax. They rent a two bedroom apartment at the average cost in the municipality which costs them \$500 per week (37 per cent of their gross income). This leaves them with \$687 for other household expenses. This is \$138 short of the Victorian median household weekly expenditure of \$825*.

This household is deemed to be in housing stress as they spend greater than 30 per cent of their gross income on housing costs. They are required to sacrifice on other expenses to meet their housing costs. They are also unable to save any money for additional costs or to save for a deposit to purchase a home.

Weekly household expenses of \$825 =

			Domestic fuel and power	\$40
			Food and non-alcoholic beverages	\$205
			Recreation	\$135
			Medical care and health expenses	\$55
			Clothing and footwear	\$45
			Personal care	\$20
			Household furnishings, equipment and operations	\$115
			Alcoholic beverages and tobacco products	\$40
			Miscellaneous	\$100
			Transport	\$70

*Average weekly expenditure calculated from ABS Equivalised Disposable Household Income, Victoria (third quintile). Transport expenditure adjusted from \$190 to \$70 per/week to account for central city transport/employment advantages.

= Net weekly household income

= Weekly rent (\$10)

= Household expenses* (\$10)

= Shortfall in meeting weekly expenses (\$10)

There is a need for more affordable housing (subsidised) in the municipality

The availability of housing options in the City of Melbourne is insufficient to meet the needs of low income earners. In 2012, only 6 per cent of available housing in the municipality was affordable to the lowest 25 per cent of earners; of this only 1 per cent was provided in the private open market (see figure 3.5).

Low income households are increasingly having to live in high rent dwellings creating greater housing stress. Over a ten year period from 2001 to 2011, the proportion of low income households in high rent dwellings increased from just 3 per cent to over 18 per cent (see figure 3.6).

Future Living identified that there is a housing affordability issue for key workers such as receptionists, cleaners and those working in the hospitality industry who have poor to limited access to all rental dwellings within a 56 minute commute of the central city – almost three times the travel time suggested as desirable within *Plan Melbourne's* '20 minute neighbourhood' concept.

Between 2001 and 2011, the increase in the median rental payment in the municipality exceeded income growth by 150 per cent and inflation growth by 213 per cent. The affordability of housing is now impacting households on incomes of up to \$100,000 per year. This includes higher paid key workers such as nurses, teachers and emergency workers as well as mid-career knowledge workers.

In 2011, approximately half of our renters (around 13,000 households) were paying greater than 30 per cent of their gross household income on housing costs and are considered to be in 'housing stress'.

Living in the outer suburbs, remote from jobs, dependent on public transport investment and vulnerable to petrol price increases should not be the only option for low income earners. The only way to guarantee sufficient, secure and affordable housing for low to middle income earners, therefore, is through the provision of subsidised housing.

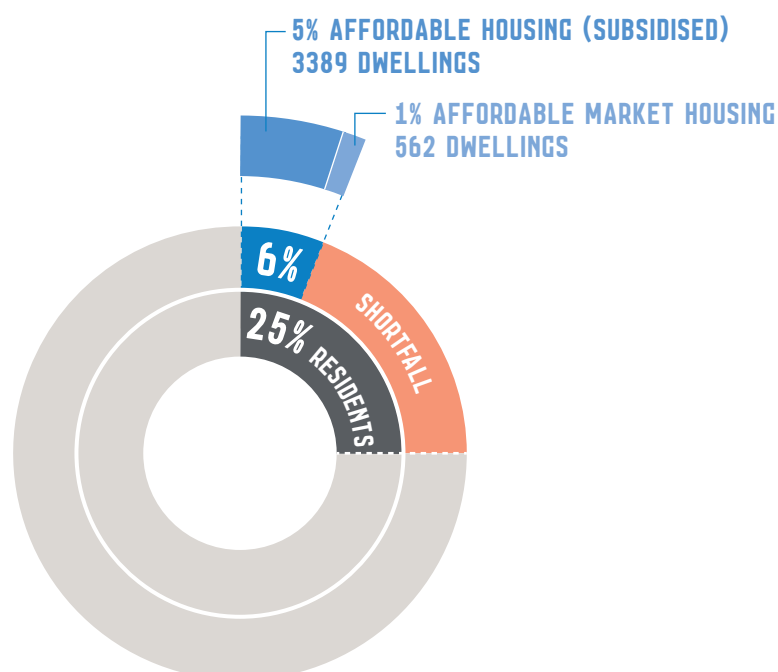


Figure 3.5: Housing affordability to those in the lowest income quartile. This implies that only 6 per cent of housing stock is affordable for 25 per cent of households. Of this, 5 per cent was subsidised affordable housing and only 1 per cent was provided by the private open market.

Between 2001 and 2011, the increase in the median rental payment in the municipality exceeded income growth by 150 per cent and inflation growth by 213 per cent.

Vacancy rates

Vacant stock plays an important part of a balanced housing market. There is a 'natural' rate of vacancy that is required to enable a healthy market to operate in equilibrium. Broadly, a rate of 3 per cent is considered to indicate equilibrium in the rental market, below which there are likely to be shortages and rent increases and above which is likely to be an oversupply and reduction in rental values. Apartments in central city areas, however, can be utilised for many purposes such as corporate housing, while there may be seasonality caused by our high student population.

Vacancy rates in the City of Melbourne have been very low over the last decade but have increased recently, from 2.5 per cent in 2012 to 5 per cent in 2013 (SQM). In some central city suburbs, such as in Docklands, rates increased higher, up to 9.7 per cent. However this has not had a significant impact in reducing rental prices. Rents for a one bedroom apartment in the municipality have stayed stable at between \$350-360 a week (DHS Rental Report and REIV data, March 2014). Rents for a two

bedroom apartment in the municipality have either stayed stable at \$500 a week (DHS Rental Report, March 2014) or reduced to \$440 a week (REIV data, March 2014), depending on the different data sets used. Considering this, along with the high cost of rental prices relative to income, housing is still unaffordable for many low and moderate income households as discussed above (see p24).

Furthermore, in 2014, while there has been a minor increase in the vacancy rate in Southbank, rates in the CBD and Docklands have decreased, as has the overall rate for the municipality to 4.1 per cent (SQM, June 2014). The vacancy rates for the inner 4km has also reduced, from 4 per cent in 2013 to 3.4 per cent in 2014 (REIV, May 2014). This decrease in vacancy rates, coupled with a growing population, would suggest that rents will remain unaffordable for many low and moderate income households for the foreseeable future and further supports the need for subsidised affordable housing.

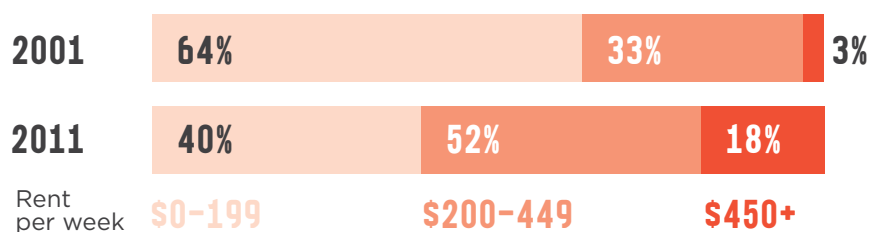


Figure 3.6: Percentage of low, medium and high cost rental dwellings occupied by low income earners (those earning less than \$600 per week) in the City of Melbourne

Tax structures favour homeowners and property investors

A report by the Grattan Institute *Renovating Housing Policy* (Kelly, J-F., Hunter, J., Harrison, C., Donegan, P., 2013) found that government tax and welfare policies are increasing the divide between those who own housing and those who do not by favouring homeowners and property investors over those who rent.

The report states that governments provide benefits worth \$6,100 on average for each homeowner household and \$4,500 on average for each property investor whereas renters receive very little support. The report calls for governments to reject policies that reward those who already own homes and make life harder for those who don't by increasing demand (through incentives such as negative gearing) which contributes to an uplift in property prices.

Our problem is not land supply

A lack of land supply for new housing is often cited as the major cause of housing becoming less affordable and increasing supply is often seen as the 'silver bullet' solution. While a lack of land supply is a significant issue in many other international cities such as Sydney and London, there is a sufficient supply of land for new housing in metropolitan Melbourne for the next 30 years according to the Victorian Government (Department of Transport, Planning and Local Infrastructure, 2013).

Certainly within the City of Melbourne, our urban renewal areas, identified within our *Municipal Strategic Statement* and supported in *Plan Melbourne*, have sufficient land for new housing to accommodate the projected population growth. These central city growth areas can accommodate over 80,000 new homes which will more than accommodate the projected housing growth in the future of over 45,000 new homes by 2031.

The increased supply, however, is not solving the affordability problems and there is little evidence that increasing supply leads to long term decreasing prices in high value areas in the central city. For example, the recent rezoning of the Fishermans Bend Urban Renewal Area doubled the supply of land in the capital city zone. This doubling of land supply has produced no perceptible reduction in the value of land or an increase in affordability of apartments in the City of Melbourne.

High land value and construction costs are impacting affordability, housing mix and design quality

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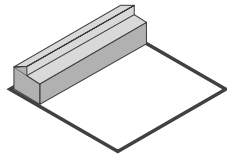
A lack of available land for new housing, therefore, is not the primary driver of housing becoming less affordable. The Council of Australian Governments (COAG) highlighted that all things being equal, more efficient supply should put downward pressure on house prices. Addressing supply-side impediments, however, may not cause house prices to fall or rents to ease significantly. It is possible for high house prices to exist even in a relatively efficient market. This is because other structural and cyclical factors — such as population growth and unemployment rates — also play a major role in determining the level and growth of house prices and rents (COAG, 2012).

In high value markets such as the City of Melbourne, high land values and construction costs associated with infill urban renewal and building tall buildings increase development costs and add significantly to the challenge of housing affordability. Site assembly and remediation can also add additional costs.

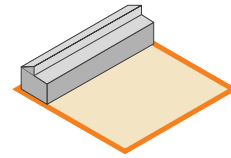
Moreover, many of the apartment developments include a significant amount of car parking and 'luxury' items such as second bathrooms, gyms and swimming pools. As well as adding to the development cost thereby ultimately to the cost by the end user, they also contribute to higher body corporate, on-going energy and maintenance costs. These costs can significantly reduce the ability of households to afford to rent or buy these new apartments.

Securing Victoria's Economy (Department of Premier and Cabinet, 2013) found that Melbourne is acutely affected by high construction costs, particularly when compared to similar eastern capital cities of Sydney and Brisbane. It identified that Melbourne is the most expensive city for construction for residential projects in Australia, which has a significant impact on the affordability of housing and the shape of our cities.

In 2010, a study for the National Housing Supply Council (NHSC) found that it was roughly three times more expensive to build infill housing than housing on greenfield sites. In 2011 the NHSC identified high construction costs for medium and high density dwellings as a barrier to infill development, alongside difficulties in preparing land for construction, delays in securing development finance, lengthy and sometimes uncertain planning and development assessment processes and community opposition to high density dwellings (NHSC 2010).

**INDUSTRIAL ZONED SITE****\$7M**

Existing land value (ELV)

**LAND REZONED****REZONED
CAPITAL CITY ZONE**

*RLV - the sum a developer will pay a landowner to secure a site for development
(Total development value *minus* total construction costs *minus* developer profit *equals* RLV)

^ Planning policies likely to impact RLV rather than end product in conditions of good levels of supply, product substitutability, planning certainty and sufficient timing (AHURI, 2009; SGS, 2011).

The impact of planning and rezoning on land values and thus housing delivery is significant. Once land is zoned for high-density housing development, the land value uplift is significant due to the potential to deliver a large number of new homes. Recent research, however, identified that almost all landowners have unrealistic price expectations which is often based on a failure to understand the development process, the risks involved and a belief that land prices never fall (Rowley, S. and Phibbs, P., 2012).

More realistic expectations could address this and be provided through, for example, plot ratio controls (ratio of the gross floor area of a development to its site area), density policies or more mandatory height controls which could help create more realistic expectations for landowners. This could be further strengthened if developer contributions, affordable housing and design requirements were also clear at the outset.

Figure 3.7: An illustrative theoretical diagram showing the process of development and the possible value uplift which could occur from the rezoning of land, greater planning certainty, the granting of a planning permit and an increase in infrastructure provision.

Scenario 1 shows the current situation, when the residual land value is high due to no height/density controls and no requirement for affordable housing. This results in greater value uplift, the majority of which goes to the landowner.

Scenario 2 shows a situation with greater height or density controls, the application of apartment design standards and an affordable housing incentive using a density bonus. These requirements impact the residual land value but still ensure the development is profitable to the landowner and developer. More of the value uplift is reinvested back to the community.

Scenario 3 shows a situation with no height/density controls but with a 15 per cent requirement for affordable housing and the application of apartment design standards. These requirements impact the residual land value but still ensure the development is profitable to the landowner and developer. A larger proportion of the value uplift goes back to the community.

C

**DEVELOPER
BUYS LAND**

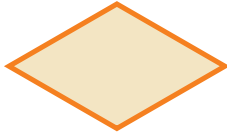
D

**PLANNING
PERMIT ISSUED**

E

**DEVELOPMENT
COMPLETED**

SCENARIO 1 – CURRENT SITUATION



\$25M

Residual land value* (RLV)
impacted by planning policies^:

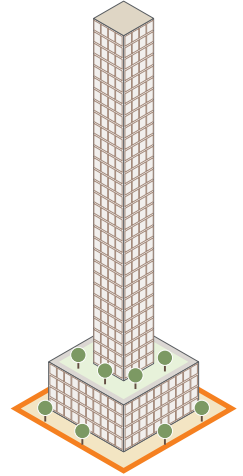
No height/density controls
Minimal Development Contributions Plan
(DCP) and Open Space requirements
No Affordable Housing

\$18M Value uplift

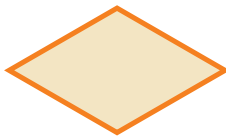


15-20%

Developer profit



SCENARIO 2 – INCENTIVISE AFFORDABLE HOUSING



\$17M

Residual land value* (RLV)
impacted by planning policies^:

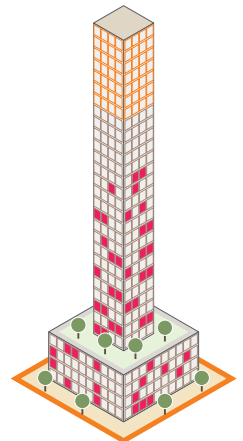
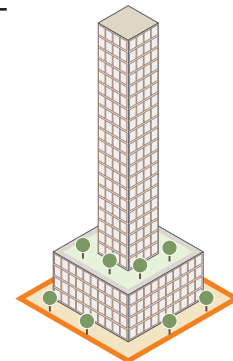
Height/density controls
DCP/Open Space requirements
Affordable Housing Incentive
Apartment design standards

\$10M Value uplift



15-20%

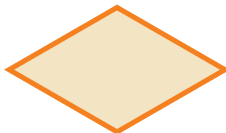
Developer profit



+2-3%

Extra with
Affordable Housing

SCENARIO 3 – AFFORDABLE HOUSING REQUIREMENT



\$17M

Residual land value* (RLV)
impacted by planning policies^:

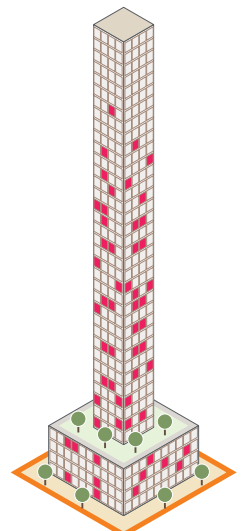
No height/density controls
DCP/Open Space requirements
15% Affordable Housing required
Apartment design standards

\$10M Value uplift



15-20%

Developer profit



Development finance and viability are crucial to deliver new housing

.....

Profit

As important as land supply in the delivery of new housing is that development needs to be profitable. If a proposed development doesn't provide a developer with a level of return that adequately compensates for the risk involved, usually a profit of around 15 to 25 per cent of the total development costs, the development will not go ahead, restraining the supply of new homes. Higher density residential development, as is the primary form of housing in our municipality, is often considered to be a higher risk, high cost activity requiring a higher financial return.

The exact profit required will depend upon a number of risk factors such as the current economic conditions, the quality of the location and its ability to support the specific type of development (such as high-density apartments), the state of demand and the level of uncertainty surrounding the development approval (Rowley, S. and Phibbs, P., 2012).

Finance

Development also needs to be profitable for the lender (usually banks), without which a development will not have the finance to proceed. Due to the risk adverse nature of lenders in financing housing developments, what is built today is based more on proven sales records than on predictions of what will be required or desired in the future. This creates difficulties for developments to respond to current or projected needs, such as changes in the desirability of families wanting to live in the inner city.

Lenders also consider the equity of the developer, that the projected profit margin will cover unforeseen circumstances, and design issues, such as the size of apartment, to ensure that they are financing a proven product that will sell. Increasingly, a minimum number of pre-sales are required, off the plan, to reduce the bank's financial risk. Off the plan pre-sales can favour investors who often have different needs and requirements than owner occupiers and can accept greater levels of risk.

Recent research by the University of Melbourne (Martel, A., et al 2014) identified that industry professionals from across different sectors believe that development costs and financing for affordable housing are the major barriers to project success.

Developer contributions

The City of Melbourne is currently progressing two planning scheme amendments that require an increase in the provision of developer contributions (see figure 3.8). These amendments will require developers to contribute to the cost of providing new infrastructure, such as community facilities or public realm upgrades in Southbank and City North (Planning Scheme Amendment C208) and open space throughout the municipality (Planning Scheme Amendment C209).

The City of Melbourne has also formally written to the Minister for Planning requesting to introduce development contributions for residential apartment development in the Hoddle Grid of \$900 per apartment to contribute to future community infrastructure needs.

Some consider that as developer contributions add to the cost of housing development, they worsen housing affordability. However, research by the Productivity Commission concluded that the greater use of developer contributions is unlikely to have

any substantial effect on housing affordability (Productivity Commission 2004, p. 165). Research by AHURI also found that, while developers advised that they seek to pass new charges on through sales prices where possible, that these should ultimately be passed back to landowners over time (AHURI, 2009).

Recent research by Urbis (Urbis, 2014) found that taxes on development such as developer contributions account for only 6 per cent of total costs, whereas other costs such as stamp duty (24 per cent) and GST (35 per cent) are significantly higher. Even if these costs were reduced, there is no guarantee the savings would be passed on to the consumer if the market is willing to pay a higher price.

Furthermore, they are crucial to help retain the liveability of the city by being reinvested back to the community, contributing to successful and sustainable neighbourhoods. New housing development will also benefit from the uplift in value of a site if open space and community facilities are nearby.

Melbourne's apartment market, particularly in the Central City Region, is no longer acting as a traditional housing sub-market to service the basic accommodation needs to the city's growing population.

(Charter Keck Cramer, 2013)

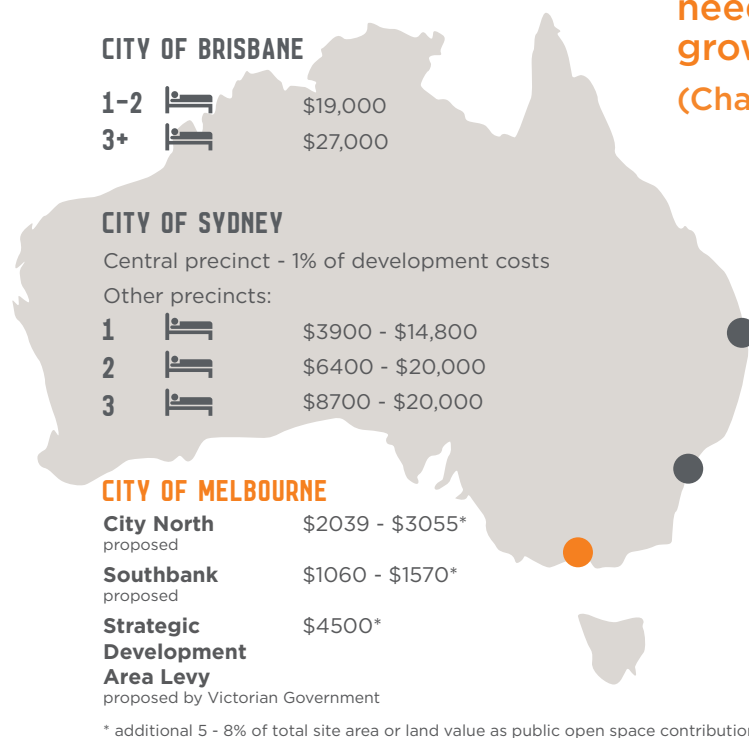


Figure 3.8: A comparison of developer contribution requirements in the City of Melbourne (proposed) compared to the cities of Sydney and Brisbane

Investors have a dominant influence on the (lack of) housing mix and quality

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Investment plays a vital role in Melbourne's economy, particularly to help finance high density housing. It also creates a number of complexities and challenges in achieving our aspiration with 85 per cent of apartments purchased in the municipality as a financial product, not as a home for the purchaser. Requirements from investors for a financial return are driving the demand for smaller, one or two bedroom apartments of around \$450,000 or less. Larger apartments can and will sell, but with longer lead times and marketing costs creating financial risk to developers and banks (City of Melbourne, 2013a).

New housing needs to be designed as a home for people rather than solely a product for investors. Research from the Property Council (Property Council, 2012) regarding the demand side drivers of apartments concluded that 'the needs of the ultimate occupiers (i.e. renters) are not the primary consideration for developers, purchasers or financiers'.

As well as having its own local housing need, Melbourne is part of a national and global housing market. New dwellings are being bought by overseas investors, due in part to its on-sale potential, tax incentives, the perception as a safe, low-risk investment due to our stable government and property ownership laws and Melbourne's status as one of the most liveable cities in the world.

Future housing conditions within the City of Melbourne, therefore, are likely to be increasingly distorted by non-local factors such as residency applications, currency fluctuations and changing property investment regulations. (Charter Keck Cramer, 2013).

Larger scale developers appear to be assuming ever growing prominence within the City of Melbourne. In 2012, developments of over 200 dwellings accounted for 85 per cent of new dwellings constructed. These projects are targeted to investors and are likely to require large budgets meaning smaller developers are forced elsewhere. Large developments tend to reduce the type and mix of new housing available. Furthermore, developers may be unwilling to put more than a given level of new homes onto the market at any one time so as to avoid a reduction in the rate of sales.

Greater dispersion and competition for housing developments should increase the speed and choice at which homes are built, while offering a greater mix and type of new homes to help create a more distinct and different product.

Buying a home in the inner city is outside the reach of many households

Purchasing a home is becoming more expensive; between 2001 and 2011, the increase in median mortgage payments exceeded income growth by 176 per cent and outpaced inflation by 250 per cent (City of Melbourne, 2013d). Over the course of 2013, home values within Melbourne increased by 8.5 per cent and the median apartment price reached a record \$481,000 (RP Data-Rismark, 2014).

In January 2014 the *Demographia Housing Affordability Survey* (Cox, W., and Pavletich, H., 2014) identified Melbourne as the sixth least affordable city in the world in which to purchase housing and classified as 'severely unaffordable' (see figure 3.9).

There is now a distinct lack of affordable apartments for low to moderate income households to purchase with only 2 per cent of apartments within a 56 minute commute distance affordable to those on a wage similar to receptionists, cleaners and hospitality workers. This marginally improves to 24 per cent for tertiary educated key workers such as nurses and teachers.



Figure 3.9: The least affordable cities in the world according to the *Demographia Housing Affordability Survey 2014*

The analysis in *Future Living* emphasised the importance of having two incomes in a household to enable a home purchase; this was true even for higher paid knowledge workers with a median income of \$95,000. The analysis did not address initial dwelling purchase costs such as the need for a deposit or stamp duty which is likely to worsen significantly the problems of housing affordability to purchase.

There is a strong correlation between net worth of individuals and home ownership (Australian Bureau of Statistics, 2014). For many households, their dwelling is their main asset and their long-term financial security, able to be passed on to their children, use as equity during financial difficulties and can avoid the state government needing to help meet housing costs after retirement. Home ownership also has wider benefits such as greater social cohesion which is improved through stable housing choices. Our analysis shows, however, that the opportunity to gain financial security and a sense of community belonging through home ownership is diminishing.

High levels of housing supply isn't delivering a good housing mix and social diversity in the community

.....

Building successful homes and neighbourhoods is not just about a sufficient supply of land and housing; the type and form of what we build is just as important to ensure that the supply of new housing translates into homes where people want to live. The *National Housing Supply Council's* final report (National Housing Supply Council, 2013) stressed that tackling the housing shortage is not simply about increasing the number of homes being built; it is also important to build a diverse range of dwellings. Producing the right mix of homes contributes to developing sustainable communities that work for the population at large.

A diversity of housing choices can foster a community which is inclusive of different household needs and circumstances, including family size, household composition, income and health. It can help to address social exclusion and avoid issues with gentrification and social polarisation.

To stand the test of time and ensure a diversity of housing choices, new housing needs to be designed with a range of people of different ages and backgrounds in mind who may occupy the home over its lifetime.

New housing in the City of Melbourne increasingly consists of apartments with two or less bedrooms and of decreasing size. Half of all new apartments built from 2006-2012 were one bedroom apartments, over a third had two bedrooms while only 9 per cent had three or more bedrooms, which tend to be expensive penthouses rather than family friendly homes (see figure 3.10).

Ninety six per cent of over 20,000 apartments in over 100 developments currently in the pipeline have just two or fewer bedrooms (figure 3.11). This is failing to meet the projected demand for family-friendly three bedroom apartments which is expected to make up at least 8000 households by 2031, equivalent to around 9 per cent of total households.

The proportion of one and two bedroom apartments is partly driven by the perceived demand that inner city living is still only for students, young professionals and retirees, thereby only needing very small homes with few bedrooms and minimal space to cook, eat, relax and move around. The demand is also largely driven by investors, who typically avoid the high sale price and low return rate of three bedroom apartments.

While projected growth of family households is relatively low, many of the inner city schools are at, or close to, capacity suggesting more families with children are moving into the central

city than market-led projections. More families with children live in Southbank and Docklands today than were predicted by the market-led projections. The provision of new infrastructure such as a school may increase the demand for family friendly dwellings.

Demographic forecasts are based on existing trends and market-driven patterns of growth. They cannot predict changes in demand driven by shifting household preferences towards inner city living or new infrastructure such as schools. The projected demand for friendly-family three bedroom apartments, therefore, is likely to be conservative.

Research into the impacts of high-density housing based around the need for families (Waltham Forest Council, London, 2009) identified the two key choice factors of sufficient internal space and the provision of private outdoor space if high density apartment living is to be adopted by families.

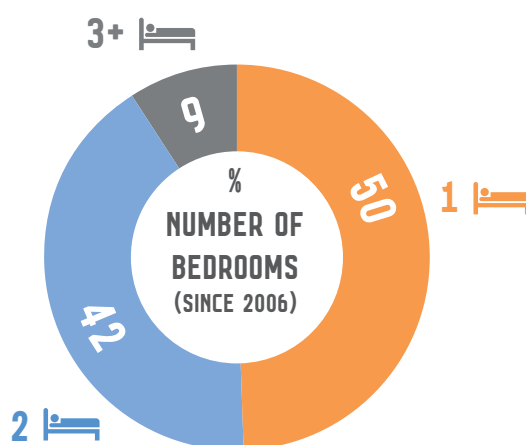


Figure 3.10: Dwelling types by number of bedrooms from 2006-2012 - only 9 per cent had three or more bedrooms.

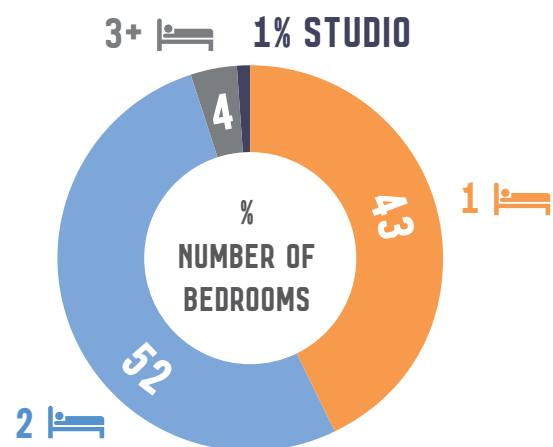


Figure 3.11: Ninety six per cent of over 20,000 apartments in over 100 developments currently in the pipeline have just two or fewer bedrooms (City of Melbourne (City Research) 2014).

Quality, amenity and performance are decreasing while density is increasing

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A good standard of design and amenity goes well beyond what a building looks like and its particular architectural style. *Future Living* highlighted the poor quality outcomes that are being delivered in recent housing developments. Only 16 per cent of new developments were reviewed as 'good', with zero 'good' developments recorded in the high rise category (over 16 storeys). The research identified a number of common design issues, including very small apartment sizes, poor building and apartment layouts, limited flexibility, adaptability and accessibility and poor levels of internal amenity due to lack of light, ventilation and privacy.

Apartment size

The size of an apartment is often fundamental to achieving good levels of amenity. New homes must have enough space for basic daily activities, be able to accommodate standard sized furniture, have storage space for everyday items and be adaptable and flexible in their layout to allow for different lifestyles and users.

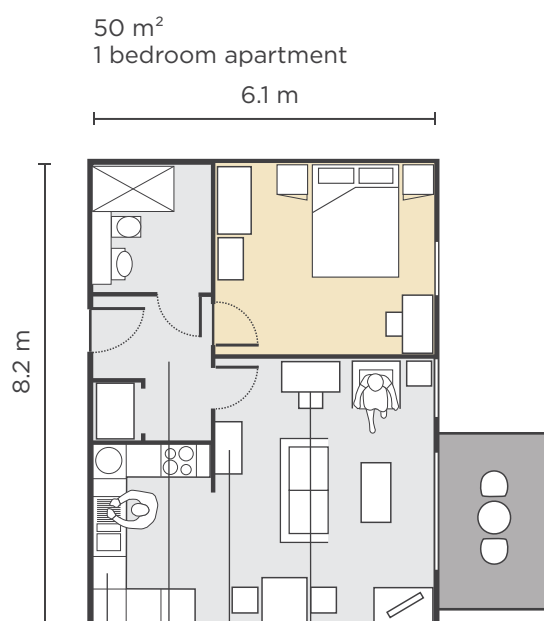
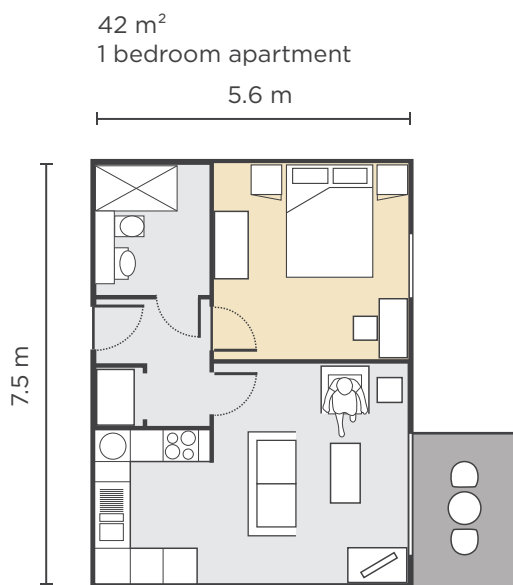
The trend in the City of Melbourne, however, is for increasingly small apartments with 40 per cent having less than 50 m² of floor space, the minimum size for one bedroom apartments in Sydney, Adelaide and London. Consumer research in London (Bartlett K et al, 2002) shows that space is high on the list of priorities of the increasing number of one-person households and that criticism about lack of space is expressed by all groups of home buyers with singles just as vociferous as families.

The expectation that a development can have more, smaller dwellings can increase land value which in turn promotes even smaller dwellings. Given the need to create balanced communities, however, this is not a formula for the long-term social sustainability of Melbourne.

Some two bedroom apartments currently being marketed or proposed in the municipality are of a similar size as that of a one bedroom apartment in other cities (see figure 3.12). This is of particular concern given the affordability and lack of three bedroom homes and the role, therefore, that well designed two bedroom apartments could play in being potentially occupied as family homes or as shared households.

Evidence on attracting and retaining families in inner urban, mixed income communities (Silverman E. et al, 2005) reviewed several London case studies and found that these communities work best when the homes are designed with families in mind, with adequate storage, ample kitchens, family bathrooms and access to outdoor space where possible.

Evidence from the Department of Health in the UK established 'Healthy Standards of Living for all' as one of six policy objectives that will help reduce health inequalities (Marmot, 2010). The quality of the home environment was identified as part of the equation of a healthy standard of living. Definable characteristics of the home that contribute to health include access to natural daylight and appropriate noise insulation and layouts which promote privacy in the home to avoid stress.



Extra cupboard
in the kitchen

Space for an
extra desk

Increased circulation
space in hallway

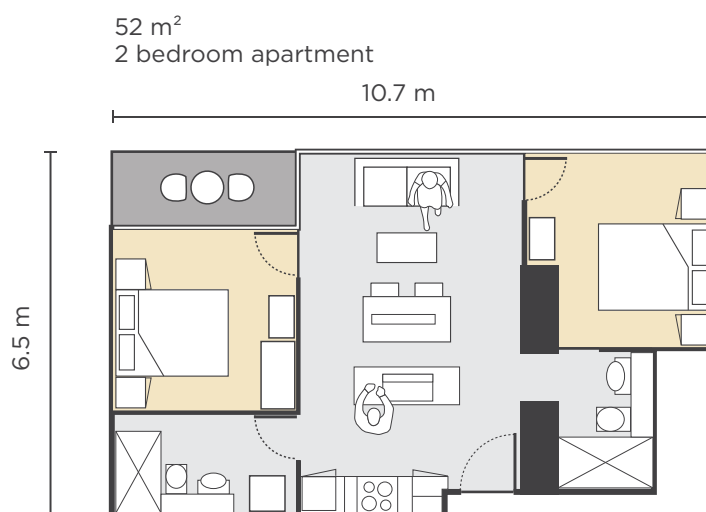
Storage cupboard
in the living room

Figure 3.12: The differences between a small 42 m² one bedroom apartment and a standard 50 m² one bedroom apartment (above) and a recent two bedroom apartment development proposal for a 52 m² two bedroom apartment (right).

(Space should be measured as gross internal area (GIA) and therefore not include walls or balconies).

Some two bedroom apartments currently being marketed or proposed in the municipality are of a similar size as that of a one bedroom apartment in other cities. Minimum sizes for two bedroom apartments in other cities are:

- Sydney 70 m²
- City of Adelaide 65 m²
- London 61-70 m²
(depending if 3 or 4 occupants)
- Singapore 60-65 m²



Existing policy guidance

Future Living identified that Melbourne has the narrowest and least rigorous policy guidance on housing quality for medium and high density developments when compared to like cities. In Sydney, Adelaide and London, for example, specific and measurable outcomes include not only minimum apartment sizes, but also requirements for the orientation of apartments, minimum internal amenity standards relating to daylight, sunlight and privacy and levels of internal storage.

Very high density living

Many of the poor design qualities recorded in our municipality can be attributed to excessive densities. While high density development is needed to accommodate Melbourne's population growth in a sustainable way, it must be done well. It is important that new development optimises the use of land, but that doesn't equate to maximising the amount of development that can be placed on a site. A recent decision by the Victorian Civil and Administrative Tribunal (VCAT) for a 36 storey residential building at 58-66 La Trobe Street stated:

'Rather than attempting to maximise the intensification of the site, it may be that a more modest yield could produce dwellings with an acceptable level of amenity both for future residents and those in adjoining buildings'

Problems with noise, daylight, privacy and overlooking all become more acute as densities increase. Higher density development also creates increased pressure on space and leads to more intensive use of communal, shared areas such as entrances, corridors, and lifts with subsequent management and maintenance implications. For these reasons, higher density development requires strong guidance and more careful design.

The densities of some Melbourne developments are in excess of 5000 dwellings per hectare. They are up to four times the maximum densities allowed in planning policies in other very high density cities such as Hong Kong, New York and in Sydney and ten times the densities allowed in London (see figure 3.13). Densities between 150 and 500 dwellings per hectare have been referred to as 'superdensity' in London (Design for London, 2007) with the call for high quality design and management if they are to be successful.

Extreme site densities are not needed to accommodate the projected population growth of Melbourne. If such developments do go ahead, they should be high quality and offer residents a good quality of life, be highly environmentally friendly and designed with sufficient flexibility so as to have long-term appeal.

The demand from investors for smaller apartments, the lack of planning policy guiding internal amenity along with few enforceable density or height controls means that the apartment market in the municipality is in danger of leaving a lasting legacy of poor quality housing.

Figure 3.13 (below): The highest density policy controls for Melbourne and other global cities. In New York a greater density is offered if affordable housing is provided (as shown). In London, there is a requirement to provide affordable housing within this control.

The controls in other cities are for densities on individual sites. The only control in Melbourne in the Hoddle Grid is by block rather than by site and is therefore difficult to enforce. The result is often very high density development, sometimes of over 5000 dwellings per hectare.

While it is recognised that actual developments may be of a higher density than policy requirements, these controls at least offer a starting point for discussions and a shared understanding of the likely density for each site. If a control is exceeded, this often requires greater community benefit to be provided.

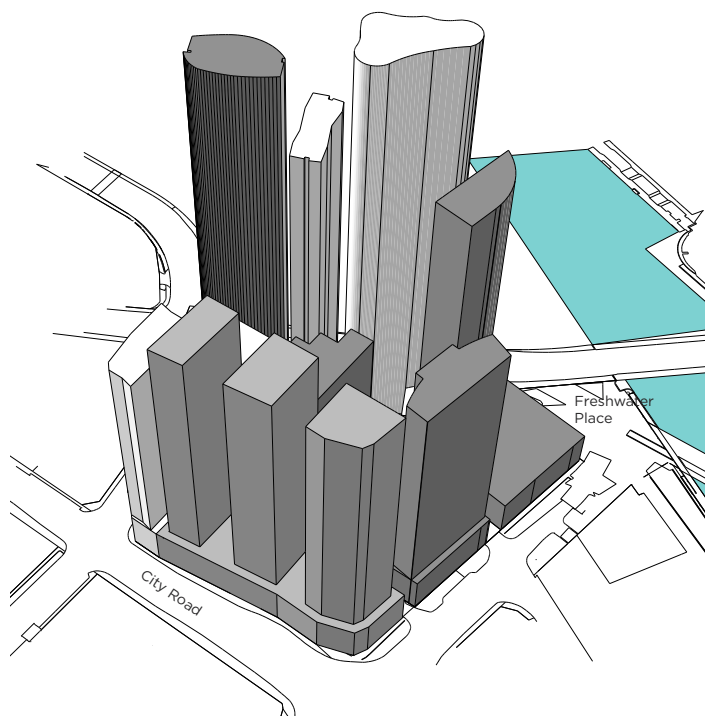


Figure 3.14 (above): Case study of a high density block in Southbank. This block will accommodate approximately 9000 residents at a density of 1300 dwellings per hectare. Eight of the eleven towers shown are constructed or have planning approval.

New York City
(Residential District R10/R10A)

London
(Highest density policy control)

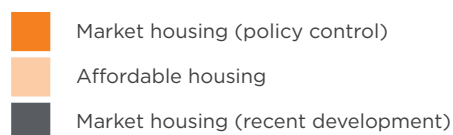
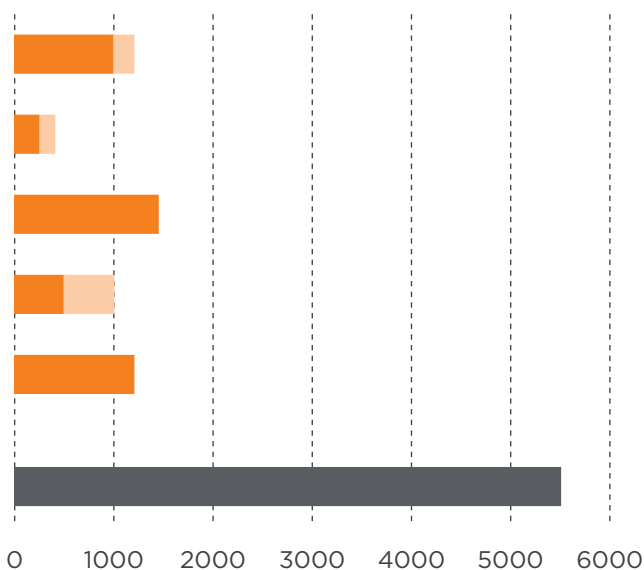
Sydney
(Highest density policy control)

Hong Kong
(Hong Kong Island - Residential Zone R1 Site Class C)

Melbourne
(Hoddle grid policy control by block)

Melbourne
(Hoddle grid recent development examples)

Dwellings per hectare



The majority of high-rise housing in our municipality delivers poor environmental performance

Through good design, construction and operation, new buildings can have a significant impact in reducing greenhouse gas emissions, water use and waste production. The City of Melbourne has recently introduced an Energy, Water and Waste Efficiency local planning policy (Clause 22.19) into the *Melbourne Planning Scheme* that seeks to ensure that all new buildings, including residential developments, achieve high environmental standards.

The policy applies specific industry recognised standards for energy, water and waste efficiency with required performance levels depending on use and size of the proposed building.

Zero Net Emissions by 2020 (Update 2014) is our strategy to become a carbon neutral city and create a sustainable future for the municipality. The strategy recognises that the environmental performance of many new homes has significant room for improvement, most notably in high-rise apartment developments. It identifies the need to establish a baseline and develop a long-term target for energy performance of apartment buildings in the first year of the implementation plan.

A key challenge is to achieve the largest reduction in emissions for the least cost by encouraging energy efficient retrofits in apartment building common areas as well as within the apartments themselves. *Smart Blocks*, a national program developed in partnership between Strata Community Australia, City of Sydney, City of Melbourne, Owners Corporation Network of Australia and Green Strata will be key to helping respond to this challenge. It helps apartment owners and their managers to improve the energy efficiency of common property in apartment buildings.

Poor design quality combines to result in poor environmental performance as more energy is required to provide mechanical ventilation and artificial light. Common property, particularly long internalised corridors without access to natural light and ventilation, car parking and added 'luxuries' such as gyms and swimming pools can account for half the energy attributed to a high rise resident, who on average consume 25 per cent more energy than those in a detached dwelling (NSW Department of Infrastructure, Planning and Natural Resources, 2005).

This doesn't mean we should be building more low rise dwellings, rather we need to start building better quality more energy efficient apartments. This could also help improve the affordability of housing, as the management, maintenance and energy bills of poorly performing apartments and buildings can add significantly to the cost of living.

Our lack of housing mix and affordability is impacting on long-term community building and support for a vibrant cultural life

.....

The predominance of high-cost, one and two bedroom, small and inadaptable apartments is driving the establishment of a homogenous population in regards to household income, age and employment of our residents (City of Melbourne, 2013b).

The City of Melbourne already experiences a high population turnover, in the order of 70 per cent every five years, with residents choosing to live elsewhere. Research shows that community-forming is dependent on residents staying in place long enough to form connections with other locals and to have a sense of pride and an active involvement in their local neighbourhood.

Melbourne is well known as a vibrant city where education, cultural diversity and innovation are supported and celebrated. This requires housing that is affordable to students and those working in the creative arts and other similar fields.

If current market trends continue, virtually all low and many moderate income households will not be able to afford to live in our municipality. This could affect many people over the course of their life depending on changing circumstances such as people having families, changing careers or retiring. Whereas high-skilled, high-income people can afford higher housing costs associated with central locations in large cities, lower income people risk getting locked out of these locations and potentially out of the housing market altogether (Kelly, J-F., Mares, P., Harrison, C., O'Toole, M., Oberklaid, M., Hunter, J., 2012).



PART TWO

OUR GOALS AND ACTIONS

In this part you will find out:

- The three goals that will help us achieve our aspiration
- How the goals have been derived and are interdependent to each other
- 11 actions to help achieve our goals

4. WHAT ARE OUR GOALS?

Homes for People has three goals that will help us achieve our aspiration to deliver an inner and central city where housing is affordable, well-designed and meets the diverse needs of our residents. They are:



GOAL 1

.....
HELP PROVIDE AT LEAST 1721 AFFORDABLE HOMES (SUBSIDISED) FOR LOW AND MODERATE INCOME EARNERS BY 2024
.....



GOAL 2

.....
IMPROVE THE DESIGN QUALITY AND ENVIRONMENTAL PERFORMANCE OF NEW APARTMENTS
.....



GOAL 3

.....
FOSTER A HIGH LEVEL OF AWARENESS AND KNOWLEDGE AROUND GOOD HOUSING OUTCOMES
.....

How have the goals been derived?

The goals are focused on achieving our aspiration. They address the current housing challenges facing our municipality highlighted in Part One and have been strongly informed by industry stakeholders and the wider community.

Importantly, the engagement process identified that a key plank of our housing aspiration, housing diversity, is best achieved through the provision of more affordable and better quality homes, rather than a goal in itself, as it had originally been positioned in *Future Living*.

Requiring more three bedroom homes, for example, is unlikely to increase the diversity of housing available to families or shared households if they are unaffordable or poorly designed. Within each goal, therefore, lies a commitment to diversity.





GOAL 1

HELP PROVIDE AT LEAST 1721 AFFORDABLE HOMES (SUBSIDISED) FOR LOW AND MODERATE INCOME EARNERS BY 2024

This goal helps to provide more affordable housing for low to moderate income households in the City of Melbourne to help them live closer to work, improve their quality of life, create socially mixed neighbourhoods and support economic growth. It will help to close the gap between the number of households seeking affordable housing and the amount of affordable housing available to them. It will also reduce the 13,000 rental households in the municipality who are currently considered to be in 'housing stress'.

Affordable housing is subsidised below the market rate and provided to specified eligible low and moderate income households whose needs are not met by the market. This includes those who are not usually so poorly paid that they are entitled to low income housing assistance from the Victorian Government.

During the community engagement on *Future Living*, the options to address our housing challenges of 'Require a proportion of affordable rental housing in new developments', 'Support more social housing for vulnerable households' and 'Facilitate proven schemes that help people buy a home' were in the top seven housing options (out of 14) for both residents of the City of Melbourne and those living outside of the municipality.

In our submission to *Plan Melbourne* we called for the elevation of the priority of social and affordable housing targets, definitions and delivery, similar to that in South Australia and Western Australia.

The target in our goal is based on 15 per cent of new dwellings estimated to be built between 2016 and 2021 which do not currently have a planning permit or are at an advanced stage of the development process. A target of 15 per cent is comparable with other Australian state capitals. It is the same as that required by the City of Sydney in *Sustainable Sydney 2030*, by Economic Development Queensland on large residential redevelopment sites (enforced through mandatory planning provisions) and that of the South Australian Government on urban renewal sites in Adelaide.

The affordable housing should be managed by a registered housing association and preferably provided in mixed tenure developments of private market housing and affordable housing to help ensure socially mixed and diverse communities. The housing should be 'tenure blind' where affordable housing and private market housing are indistinguishable from one another in terms of design quality, appearance or location within a site. The housing should remain as affordable housing or the subsidy should be repeated for alternative affordable housing provision.

The goal helps respond to one of *Plan Melbourne's* aims to encourage greater levels of investment in affordable housing, including encouraging the integration of social and affordable housing options within major urban renewal and growth area housing developments (Victorian Government, 2014).

The affordable housing could include a mix of 'social rented', 'affordable rented' and 'intermediate' housing depending on the housing need at the time, economic viability and the ability of stakeholders to deliver and manage a particular type of housing. Preference should be given to those most in need in low income households.

'Social rented housing' is usually provided to low income households and is typically 'capped' rent based on income levels – this is considered to be 'public housing' if owned by the Victorian Government or 'community housing' if owned by a housing association.

'Affordable rented housing' is usually provided to low and moderate income households at discounted rents, commonly managed by a housing association. The Australian Government's *National Rental Affordability Scheme* (NRAS) was an example of this type of housing, which can help provide affordable housing to households while reducing the subsidy required when compared to that for social rented housing.

'Intermediate housing' is that which helps people into home ownership. This has many benefits for the owner and the wider community by helping people to accumulate a financial asset which can provide greater financial stability, can avoid the government needing to meet housing costs after retirement (which could be significant as more people live longer) and helps to provide more stable communities.

The *Affordable Homes* program in South Australia is an example of providing intermediate housing through a shared equity scheme. To ensure the subsidy can be reinvested to more affordable housing, the program requires households to repay *Housing South Australia* the original discounted amount of the new home plus a share in the increased value of the property.

The *Community Land Trust* model, where an organisation holds land in perpetuity for affordable housing, could also be a way of providing intermediate housing while ensuring the subsidies can be reinvested in more affordable housing.

The affordable homes delivered should be a mix of different types and sizes. This could be a set percentage of different apartment types by bedroom number based on future projection of household types or be of the same or similar mix to that of the market housing. This will be considered further as the actions to help deliver the affordable housing are progressed.

The goal helps set a realistic and informed target for the provision of affordable housing in the municipality, while providing a valuable measure against which we can track progress and evaluate the effectiveness of the strategy. Achieving our goal will depend to a significant extent on the support of a range of industry stakeholders. These include:

- The private sector, who will continue to provide the majority of new housing in the municipality;
- The skills and capacity of housing associations and other not-for-profit organisations to help deliver and manage the affordable housing;
- The Australian Government for continuing to invest in affordable housing; and
- The Victorian Government to support national schemes, ensuring a sufficient supply of social housing and enabling our actions through the Victorian planning system.



GOAL 2

IMPROVE THE DESIGN QUALITY AND ENVIRONMENTAL PERFORMANCE OF NEW APARTMENTS

This goal responds to the need to improve the design quality and amenity of new apartments in the municipality. It focuses on the particular need to improve the internal design and amenity of new homes as this was a significant issue identified in *Future Living*.

The quality of new homes is just as important as the quantity of homes available to ensure a positive lasting legacy for future generations. Good quality apartments can also help ensure the integrity and return on investment for investors, particularly considering the significant supply of new apartments proposed in the coming years. Ensuring homes retain their value is also important to help secure longer term financial independence and wellbeing.

Much of the new housing in the municipality will be in high density developments. Done well, high density housing can contribute to successful urban renewal by improving the vitality and viability of local communities and creating walkable neighbourhoods, where homes are close to shops, services and jobs. It is important, however, to design for both the opportunities and the risks posed by the shift towards much higher density housing.

Fundamental to a resident's quality of life is the size and layout of an apartment. No amount of sensitive or innovative design can compensate for apartments that are too small to meet the basic living requirements of the household.

It is widely acknowledged that the quality and amenity of apartments in NSW has noticeably improved since the introduction of *State Environmental Planning Policy No 65 – Design Quality of Residential Flat Development* (SEPP 65) and the *Residential Flat Design Code* in 2002. The Council of Australian Governments Reform Council recognised *SEPP 65* as a best practice approach to apartment design.

A recent review of the policy and the code found that they are achieving positive housing outcomes and are widely supported by the different stakeholder groups who use them for designing apartment buildings. Development feasibility and housing affordability were considered during the review.

Economic advice confirmed that the marginal cost impacts of the current *Residential Flat Design Code* vary significantly depending on a range of factors associated with an individual development including location, land cost, site constraints and design characteristics of the building. It was also found that the cost of providing car parking can have significant impacts on construction costs and feasibility.

‘Apartment living should not mean that quality is sacrificed – and that is what our changes ensure by setting minimum standards for communal open space, light, air and privacy’.

**NSW Planning Minister
Pru Goward
(October 2014)**

The review has led to new planning guidelines for apartment design being released by the NSW Government. The proposed changes to *SEPP65* and the accompanying *Residential Flat Design Code*, renamed to the *Apartment Design Guide*, aim to introduce a more consistent approach to design across the state and provide more certainty for councils, architects and applicants.

Updates to *SEPP65* and the *Apartment Design Guide* include:

- Three clear reasons why consent authorities cannot refuse a development application if it complies with the design guide for ceiling heights, apartment size (existing) and car parking (new).
- The *Apartment Design Guide* is outcome based and focuses on performance criteria.
- Ensuring every new apartment has a balcony and access to well designed and functional open space.
- A minimum size of 35m² for studio apartments.
- Clearer design advice for natural ventilation and daylight.
- More flexibility around design to suit particular sites.
- More flexibility around car parking.
- More certainty and consistency around the standards.

The Property Council of Australia is supportive of the new guidelines which they state could help support housing supply and affordability if they are used sensibly.

There is no evidence to suggest that similar policies and guidance for Melbourne will not result in similar outcomes. They can also provide greater certainty and consistency to the development industry, thereby making a more efficient development process, reducing development risk and improving affordability.



GOAL 2

FOSTER A HIGH LEVEL OF AWARENESS AND KNOWLEDGE AROUND GOOD HOUSING OUTCOMES

One of the clear findings from the community engagement on *Future Living* was that the City of Melbourne, as a well respected capital city authority, has an important role to play in leading awareness and knowledge around better housing outcomes. This was endorsed during the consultation on the draft Housing Strategy.

This view supports research from industry stakeholders in Sydney and Perth from both the private and public sectors that the issue of leadership is very important: leadership promoting the benefits of infill development, coordinating infrastructure provision and driving public acceptance of higher density development and affordable housing (Rowley, S. and Phibbs, P. 2012).

The City of Melbourne has been addressing the need for good housing outcomes through a range of policies, strategies and initiatives over the last thirty years (see figure 3.2). Our 1985 *Strategy Plan* formed the foundation for the subsequent decades of the city's urban renewal, while the highly successful *Postcode 3000* helped facilitate and support residential development in and around the central city, including a range of affordable housing projects.

Future Melbourne, our *Municipal Strategic Statement* and the recently adopted structure plans for our urban renewal areas have all supported the supply of new housing in a sustainable manner with a desire for affordable housing.

We will continue to proactively engage with the community to help shape planning scheme amendments and structure plans and to help increase awareness and knowledge of the benefits of good quality urban renewal and the need for socially mixed, sustainable neighbourhoods. This helps provide our community with the knowledge to have an informed discussion around urban renewal and new housing in the City of Melbourne at a strategic level and help set expectations of the likely scale and type of future change.

The release of *Future Living* and its award-winning community engagement helped raise awareness and understanding of the current housing issues facing the city and possible ways of improving housing outcomes. It also directly influenced the Victorian Government through publications such as *Plan Melbourne*.

We are committed to continue to show leadership, provide direction and work collaboratively with all stakeholders and the broader community to help achieve better housing outcomes for the City of Melbourne.

‘The City of Melbourne’s discussion paper *Future Living* provides a comprehensive assessment of many of the issues that need to be addressed in terms of the quality, design and layout of apartment developments’.

Plan Melbourne, Victorian Government, 2014



How are the goals interdependent?

The need to improve the design quality of new homes while also improving housing affordability has sometimes been framed as a choice between the two. Housing affordability and design quality, however, are interdependent and are both required for the long term sustainability and liveability of Melbourne. Other global cities, such as Hong Kong, Singapore, London and Sydney, require developments to deliver both affordable and well-designed new housing.

Well-designed homes help ensure they are energy efficient and don't have high energy, management and maintenance costs for the occupant. Equally, good quality development designed for its context is crucial to it being accepted by the community which can help enable a quicker planning process and reduce risk and cost for the developer which is often passed on to the purchaser.

There is a perception that the easiest and most common way to respond to affordability issues in the City of Melbourne is to design and build smaller apartments. The combination of increasing affordability issues and increasingly smaller apartment sizes, however, refutes claims that affordability can be achieved by building smaller and smaller homes.

A recent decision by the Victorian Civil and Administrative Tribunal (VCAT) for a 36 storey housing development at 58-66 La Trobe Street supported the City of Melbourne's refusal of the scheme and found that the internal amenity of the proposed scheme was particularly poor (see figure 4.1).

The panel identified that the lack of storage for such small apartments indicates that they have been designed as investment properties with scant consideration for the living conditions of future residents. It also stated that the fact that surrounding developments have poor regard to height and amenity is not a reason to approve yet another development with poor levels of amenity.

The panel did not accept the applicant's contention that a trade-off for the availability of the attributes of the cultural city is an apartment with a poor level of amenity and specifically stated 'using affordability as an argument does not justify reducing amenity to a bare minimum'.

The quality of new residential development, therefore, should not be reduced to the lowest common denominator in pursuit of affordability – a so-called "race to the bottom" – and any required design and amenity standards should be based on a reasonable quality level for the people that will live in each home.

The Australian Government's National Rental Affordability Scheme specifically required the affordable dwellings to be indistinguishable from other middle market dwellings. Rigorous selection criteria were applied relating to the location, design and amenity of NRAS dwellings.

The standard of new housing should not differ between affordable and private sector housing as the tenure could change over the lifetime of the home. A level playing field is important to ensure that every household would have a home that was adequate for their current needs and flexible for their future.

'using affordability as an argument does not justify reducing amenity to a bare minimum'

VCAT panel comment for housing development at 58-66 La Trobe Street

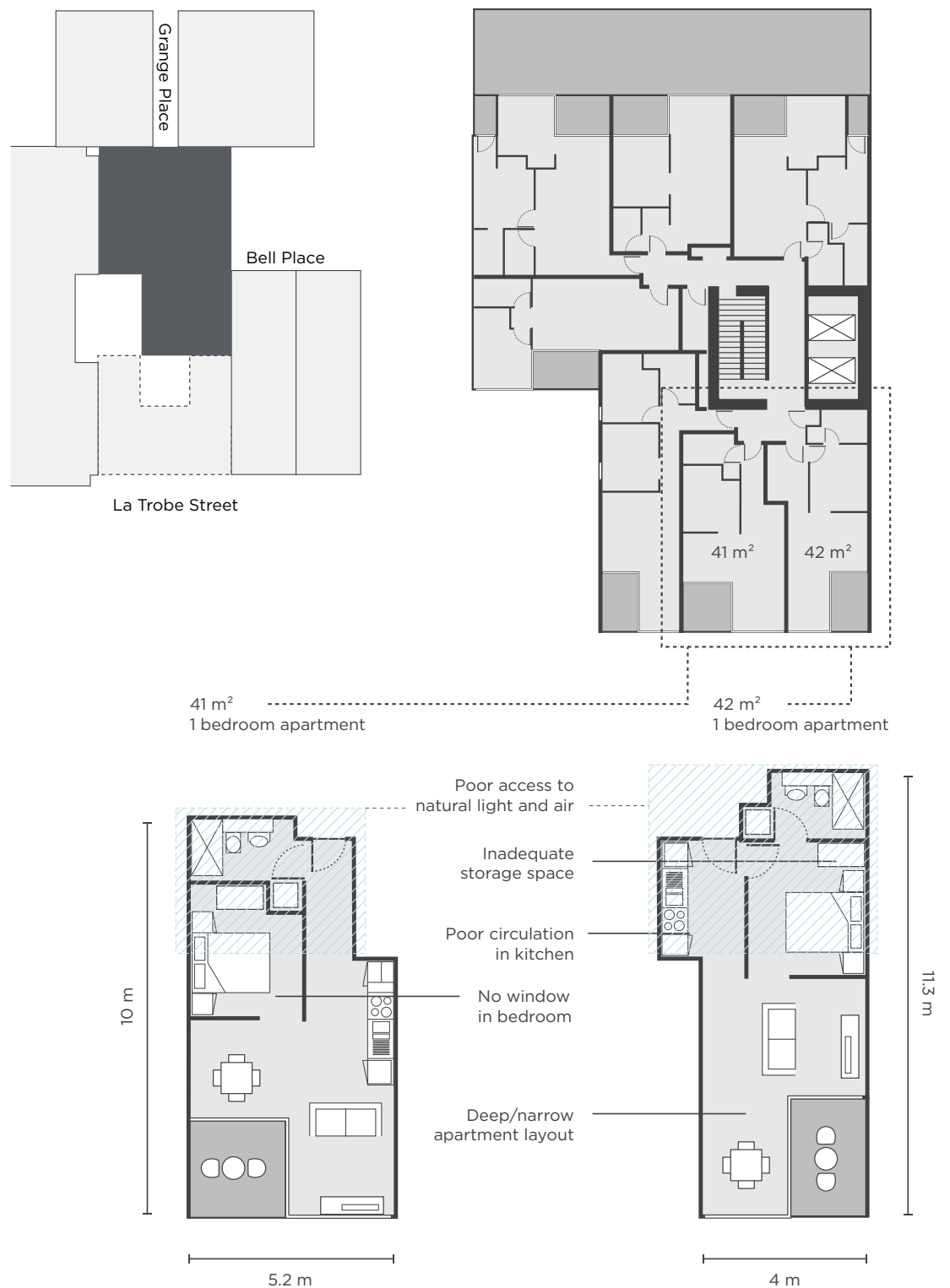


Figure 4.1: The proposed development at 58-66 La Trobe Street which was refused a planning permit by the Victorian Civil and Administrative Tribunal (VCAT)

Housing affordability could potentially be improved by reducing the amount of car parking and expensive communal facilities such as gyms and swimming pools within new housing developments. A car space can add up to \$50,000 to the cost of a new apartment according to the NSW Government's draft *Apartment Design Guide* (NSW Government, 2014).

Reduced provision of such items not only reduces both the short term costs of the initial construction and long term costs of maintenance, but can also result in significantly better design outcomes. It can also increase the density of the development by providing more housing rather than car parking, thus improving a development's economic viability and possibly affordability if passed on to the end user.

The third goal helps raise awareness about both affordable living and apartment quality and will help people make more informed choices and decisions about where they live.

'A car space can add up to \$50,000 to the cost of a new apartment'

**NSW Government,
Planning & Environment,
2014**

How will the goals and actions impact economic viability?

It is important to ensure that the goals and actions of the strategy do not add undue barriers to the delivery of new housing and render new housing development economically unviable, effectively worsening the situation by diminishing supply.

Avoiding further intervention into the housing market, however, will make it impossible to secure affordable housing as developers will maximise profits by avoiding the inclusion of affordable housing to market developments in the vast majority of infill locations (Rowley, S. and Phibbs, P. 2012). It is clear, therefore, that greater intervention is required – doing nothing is not an option.

To achieve both outcomes - viable housing development with affordable housing - the goals and actions in the strategy focus on streamlining the planning process and informing land value by providing more certainty of what is required and possible to both landowners and developers.

Assessments of development feasibility take into account market demand and supply, what is permissible under planning policy, development costs, infrastructure contributions as well as finance charges, professional fees and land costs. Economic viability assessments are based on a snapshot in time and assumptions which are also often subject to debate and change depending on government policies, market and economic cycles. They also ignore significant differences from one development proposal to another, such as land purchase costs, contamination, site access and financing conditions.

In addition, the development of our growth areas will not all happen at once but over time based on the specific constraints or opportunities of each site, the market's ability to support new housing and the delivery of new supporting infrastructure, such as public transport, community facilities and schools. Any broad viability testing carried out is soon out of date and uses too many assumptions to be meaningful for a particular site or area.

There is little value, therefore, in assessing viability 'now' for developments which are unlikely to be built for another two, five, or even 20 years' time. If, after considering the current market conditions and a site's particular characteristics, concerns exist about the viability of a specific development, developers could consider a more rigorous 'open book' approach to demonstrate their concerns. This is standard practice in cities such as London, which use practical legal agreements to link affordable housing provision to final sales revenues. This ensures that viability is retained but affordable housing is provided as long as an agreed profit margin is reached.

There are currently over 17,000 apartments under construction or with a planning permit and likely to be constructed in the municipality by the end of 2016. It is considered, therefore, that there is sufficient supply to accommodate the growing population in the short term which offers time for the industry to adjust to the actions and potential changes to the planning scheme proposed in this strategy without damaging supply or reducing affordability further.

There are currently over 17,000 apartments under construction, or likely to be constructed, in the municipality by the end of 2016

5. HOW WILL THE GOALS BE ACHIEVED?

This chapter describes what the City of Melbourne will do over the next three years through the following 11 specific actions to help achieve our goals. The actions work together as in some instances an action may help to deliver more than one goal:

1. **Affordable housing on City of Melbourne owned land**
2. **Development bonuses**
3. **Victorian Apartment Design Standards (underway)**
4. **Ratings tool**
5. **Higher density living paper**
6. **Good housing campaign**
7. **Resident surveys**
8. **Inner city coordination**
9. **Housing Advisory Committee**
10. **Annual reporting**
11. **City of Melbourne Apartment Design Standards (if required)**

In addition to the actions outlined in this chapter, the City of Melbourne will continue to advocate to the Australian and Victorian Governments and other key industry stakeholders as opportunities arise. Our submission to the Australian Government's Senate Inquiry into Affordable Housing and appearance as a witness at the committee's public hearing is an example of this advocacy (City of Melbourne, 2014a).

We will also continue to work on related actions in our other strategies to improve housing outcomes, such as those in our *Zero Net Emissions by 2020 (Update 2014)* strategy, *A Great Place to Study - International Student Strategy* and our *Pathways: City of Melbourne Homelessness Strategy 2014-2017*.



Affordable housing on City of Melbourne owned land

.....
As part of the comprehensive redevelopment by the City of Melbourne of land it owns, we will consider including up to 15 per cent of dwellings constructed being made available as affordable housing to a registered Affordable Housing Provider.

The City of Melbourne demonstrates its commitment to affordable housing by including requirements on our own land as it is redeveloped for housing. As part of the current redevelopment of the Boyd school site in Southbank, commercial offers for the purchase and development of the site were required to address an urban design brief and comply with a number of requirements.

One requirement was that no less than 20 per cent of the number of dwellings constructed must be made available to a registered Affordable Housing Provider. An agreement pursuant to S.173 of the Planning and Environment Act 1987 was registered to ensure that the affordable housing is delivered.

If other City of Melbourne owned sites are redeveloped for housing in the future, a similar model to that used at the Boyd school site could be used to help secure affordable housing for low and moderate income earners.



Development bonuses

.....
Support development bonuses to incentivise the provision of affordable housing through the planning scheme in Arden-Macaulay and encourage in other new urban renewal areas.

Development bonuses are a way of providing an incentive for a developer to deliver additional apartments in a proposed development in exchange for providing affordable housing. Incentivising works best when there are sufficient existing controls, such as those relating to height, density or floor space ratios (or a combination) that can be surpassed, when appropriate, to provide the developer with a bonus above the amount of a development allowed for a particular site.

It is important that development bonuses are targeted at the developer and not inadvertently passed to the landowner in the form of land value uplift, further worsening issues with land value and potentially housing affordability. As such, specific development bonuses should be negotiated with the developer on a site by site basis. Consideration also needs

to be given to ensure that this process doesn't add undue time and uncertainty to the process or result in a loss of amenity for existing or new residents.

We heard during the community engagement on *Future Living*, that developers preferred incentives for affordable housing over mandatory controls. This view was also expressed during the consultation by the Victorian Government on the *Draft Vision* for Fishermans Bend urban renewal area.

However, given the lack of strong height or density controls within the municipality, particularly within the Capital City Zone, there are currently only limited areas where development bonuses could work. Consideration could be given to strengthening discretionary height controls by using the discretionary height as the limit of development which can only be surpassed in exchange for affordable housing (or other community infrastructure).

One of these areas is the Arden-Macaulay urban renewal area. The Future Melbourne Committee, at its 4 June 2013 Committee meeting, resolved that community benefit, which could include affordable housing, should be required in order to increase the preferred maximum height by a maximum of 30 per cent (see Figure 5.1 below).

Other areas where development bonuses could potentially work are urban renewal areas where the planning of each area is still underway, such as Fishermans Bend and E-gate. Consideration could be given to providing sufficient development controls (such as height, density or plot ratio) in order to provide a threshold from which to establish a development bonus. See figure 5.2 (p58-59) on how density bonuses could work.

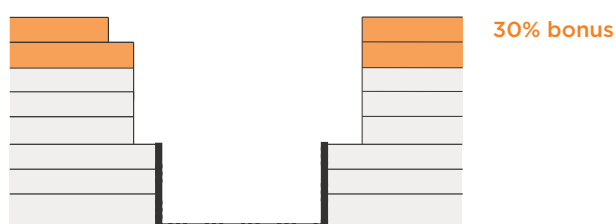


Figure 5.1: An illustrative section showing the potential 30 per cent extra development in Arden Macaulay if affordable housing or other community benefit is provided.



PROPOSAL DEVELOPED

Floor area development bonus provided in exchange for delivery of affordable housing

Height and/or density control for the development site

Height and/or density controls can help enable better planning for future infrastructure requirements, help deliver a good quality environment and provide greater planning certainty for developers and the community.

Sufficient height and/or density controls are required in order to provide a threshold from which to establish the floor area bonus. Consideration could also be given to strengthening discretionary height controls by using the discretionary height as the limit of development, which can only be surpassed in exchange for affordable housing (or other community infrastructure).

Floor area bonus to be determined through the implementation of the action in the planning of urban renewal areas.

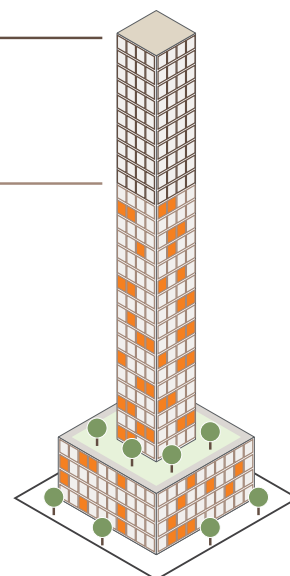


Figure 5.2: Illustrative way of how density bonuses (Action 2) could work. The detailed implementation of density bonuses will be considered and tested as the action is progressed through the planning of our urban renewal areas.

‘Our plan is to encourage greater levels of investment in affordable housing, including encouraging the integration of social and affordable housing options within major urban-renewal and growth-area housing developments’

Plan Melbourne, Victorian Government, 2014



AFFORDABLE HOUSING ACQUIRED

Affordable housing provider acquires the affordable housing

▮ Affordable housing acquired at:

- Nil value
- Reduced value compared to market rate

or

Developer makes a cash contribution to invest in affordable housing on other sites

To be determined as action is implemented in urban renewal areas



Nil value or reduced value compared to market rate could be dependent on available government funding, the viability of the development, the financial capacity of the Housing Association and the type of affordable housing provided



ONGOING MANAGEMENT

Affordable housing is owned and managed by the affordable housing provider (a registered Housing Association)

The affordable apartments could be a mix of:

more
funding/
subsidy



▮ **Social rented housing**

- Housing outside the main housing market for eligible low income households
- Rent often capped at 25 - 30 per cent of occupant's income



Workers including clerical, admin, sales or hospitality workers, machinery operators, drivers, cleaners, labourers

▮ **Affordable rented housing**

- Housing outside the main housing market for eligible low and moderate income households
- Rent discounted from market rents (often by at least 20%)



Workers including technicians, trade, protective service, community service or emergency workers

less
funding/
subsidy



▮ **Intermediate housing**

- Housing that helps people into home ownership through initiatives such as **shared equity schemes**, when the government is repaid an amount if the home is sold (including share of increased value) to reinvest in affordable housing



Workers including technicians, trade, protective service, community service or emergency workers



Specific affordable housing mix determined by available Government subsidy/funding and value capture

COMMONWEALTH AND STATE GOVERNMENT FUNDING

eg. National Affordable Housing Agreement, Commonwealth Rental Assistance, new funding (such as a replacement for the National Rental Affordability Scheme)



Victorian Apartment Design Standards (underway)

.....
Work with the Victorian Government and other key stakeholders to deliver the Victorian Apartment Design Standards.

As Victoria's population continues to grow and the need to deliver housing at higher densities becomes more pressing, the design and amenity of new apartments will only become more important. The intent of these standards is not to limit design possibilities and innovations but to uphold basic standards of amenity and ensure a legacy of quality housing equips Victoria for a sustainable future.

The Office of the Victorian Government Architect is leading the development of design standards for residential apartment buildings of five storeys or more. The City of Melbourne is directly informing the preparation of the standards.

The standards help to deliver Initiative 2.1.5 of *Plan Melbourne 'Improve the quality and amenity of residential apartments'*. The New South Wales *Residential Flat Design Code* and its regulatory context (*SEPP65*) have been taken as a benchmark of national and international best practice. The *Victorian Planning Provisions* provide an ideal mechanism to consolidate standards for new apartments across Melbourne providing clarity at the outset of any development project of what is expected.

Following the concerns highlighted regarding the design and amenity of new residential developments in *Future Living*, the standards should deliver positive outcomes in regards to:

- Building orientation and separation, built form, open space and landscape.
- Daylight and sunlight access, natural ventilation, thermal comfort and resource efficiency.
- Acoustic performance.
- Accessibility, entry and circulation.
- Apartment size, layout, storage space and adaptability.
- Privacy and outlook.
- Private outdoor space and communal space and facilities.



Ratings tool

.....
Work with the Victorian Government and other stakeholders to create a ratings tool for new housing development.

We will work with the Victorian Government and other key stakeholders to help develop a ratings tool for new residential development. The tool, similar to a ratings tool commonly seen on new appliances for example, could provide a rating for new residential development based on criteria established from the *Victorian Apartment Design Standards*.

The tool can help stimulate a conversation between local authorities, the development industry and the community and help raise awareness and knowledge of what constitutes good housing.

A similar tool, *Building for Life 12* (Design Council CABI, 2012) operates in the United Kingdom as the industry standard for well-designed homes and neighbourhoods and is endorsed by central government.



Higher density living paper

.....
Work with the Victorian Government and other stakeholders on a good design and higher density living paper.

Through the production of the *Victorian Apartment Design Standards*, the need to consider the broader opportunities and challenges relating to higher density living was identified. This will link the housing conversation more broadly to central city planning issues.

A discussion paper could highlight examples of where this has been done well and discuss and debate if any additional policy controls are required to maintain liveability in higher density environments. For example, density controls may provide greater certainty to the amount of development a site could successfully achieve, while also being able to plan with more certainty for sufficient support infrastructure such as schools, open space and public transport.

The paper could also help assist in the review of urban design policies in the Melbourne Planning Scheme to ensure that high density residential development has a positive impact on the quality of the public realm.

We will partner with the Victorian Government and other stakeholders to develop a paper that considers key issues in regards to density.



Good housing campaign

.....
Develop a campaign to raise awareness of good housing.

Community and stakeholder feedback on *Future Living* highlighted the value that the City of Melbourne can add by informing the broader public about good housing outcomes. Possible ideas for the campaign include:

- A buyers/renters guide – this could help residents know what to look for when buying or renting an apartment, particularly off-plan.
- Help support and promote new innovative forms of residential development (such as Citiniche) to provide a greater housing mix and different types and quality of new homes. There is an embryonic movement in Melbourne for developments where the design is led by the purchasers before planning permission is sought. Examples of this in Berlin have improved housing affordability by enabling home buyers to remove components of the housing that they do not want to use and pay for, such as car parking or luxury features (Alves, T. and London, G., 2012).
- Develop and progress the use of our digital 3D model to help further understand and highlight the quality and impacts of new residential developments.
- Running an ‘Open House’ or ‘Housing Exposition’ event which enables the community to view good examples of high density housing developments. This could be achieved in partnership with other stakeholders, including the University of Melbourne through the *Transforming Housing* project, in which the City of Melbourne is a partner. Such an event could provide an opportunity to:
 - Develop considered propositions for the future built and urban form of Melbourne.
 - Allow the public to experience what is possible.
 - Inform the public and relevant industries about sustainable urban development and housing.
 - Stimulate participation in informed debate about the future of housing in the city.
- Publish annual housing development data for the municipality to help inform the market and the monitoring of the housing strategy.



Resident surveys

Undertake surveys of residents living in apartments in new high density developments to help inform future actions, policies and the market.

Resident surveys can better connect policy research and market expectations with the lived experience of our residents. They can help test assumptions about what it is like to live in the city. The surveys could be both quantitative and qualitative and help:

- Identify the factors behind residents' decisions to live in high density housing;
- Identify ingredients of a successful high density development as perceived by their occupants;
- Identify the negative and positive experiences and issues with living in high density housing; and
- Help understand if the negative experiences or features contribute to the relatively high turnover of residents in the municipality (70 per cent of the population in 2011 did not live in the municipality in 2006).

The surveys could be developed in partnership with RMIT University and the City of Melbourne's involvement with their *HOME* project which will analyse apartment developments from multiple perspectives.



Inner city coordination

Coordinate the successful delivery of local housing strategies with the Metropolitan Planning Authority, members of the Central Subregion and the Inner Melbourne Action Plan.

We understand that many of the housing challenges within our municipality are also evident in surrounding municipalities, many of whom have their own housing strategies. Our membership of the Inner Melbourne Action Plan (IMAP), together with the cities of Port Phillip, Yarra, Stonnington and Maribyrnong, enables us to all work together on inner city regional issues. Previous work has included prolonged advocacy for affordable housing.

The establishment of the Metropolitan Planning Authority and the requirement for this authority to prepare a *Central Subregion Strategic Growth Framework Plan*, as identified in *Plan Melbourne*, is a significant opportunity for housing issues to be fully addressed by the Victorian Government at an appropriate regional scale. *Homes for People*, alongside other local housing strategies, can help guide and inform the housing elements of this regional plan. The plan must also connect housing to infrastructure delivery, which can help support family living, critically including the provision of new schools in the inner city.



Housing Advisory Committee

.....
Set up a Housing Advisory Committee to help develop evidence, knowledge and partnerships with industry and community stakeholders and help implement the Housing Strategy.

As a capital city council, the City of Melbourne delivers a range of programs and initiatives which contribute to the cultural, social and economic vitality of Melbourne. To assist with this process, we have a number of key advisory bodies, chaired by Councillors, whose work facilitates development and implementation of such activities.

A Housing Advisory Committee would provide high level advice and further develop effective partnerships between the City of Melbourne, the residential development industry and the community. The Committee would help implement *Homes for People*, share new evidence and knowledge to inform future work and advise on the monitoring & evaluation of the strategy.

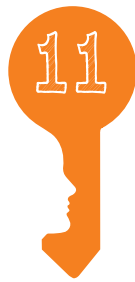


Annual reporting

.....
Report annually to the Future Melbourne Committee on the implementation of the Housing Strategy.

Homes for People will only make a difference if it is implemented. Monitoring the implementation and progress of the actions will ensure transparency in the delivery of the strategy. An annual report will be produced and presented to the Future Melbourne Committee each year which will report against the progress of the actions in achieving our goals.

Each year within the annual report we will develop an implementation plan which will set out the key priorities for the next year of the strategy based on the current progress of the actions and current needs and priorities.



City of Melbourne Apartment Design Standards (if required)

.....
**Develop a planning
scheme amendment for
improved apartment
design quality in
the municipality to
complement the Victoria-
wide standards.**

Depending on the final content of the *Victorian Apartment Design Standards* approved by the Victorian Government (see Action 3), there may be the need to complement and expand the standards so as to successfully respond to the specific challenges being faced in the City of Melbourne.

Such challenges include those relating to the particularly high densities currently being experiencing in the central city and the specific forms of development, such as the podium and tower, which are not often seen outside of the municipality.

This is a similar approach taken by the City of Sydney through their *Development Control Plan 2012* which complements and expands upon the state-wide *Residential Flat Design Code* given the specific context of central Sydney.

ACTIONS

2014 - 2015

2015 - 2016

2016 - 2017

2017 - 18

1 Affordable housing on City of Melbourne owned land



Action to be implemented as specific site plans are progressed

2 Development bonuses



Action to be considered during the planning of urban renewal areas

3 Victorian Apartment Design Standards (underway)



Victorian Government currently developing standards to be included in planning policy

4 Ratings tool



Action to be developed following the release of the Victorian Apartment Design Standards (Action 3) or the City of Melbourne Apartment Design Standards (Action 11)

5 Higher density living paper






Action to commence at start of 2015-16 financial year (subject to Council funding and programme of the Victorian Government)

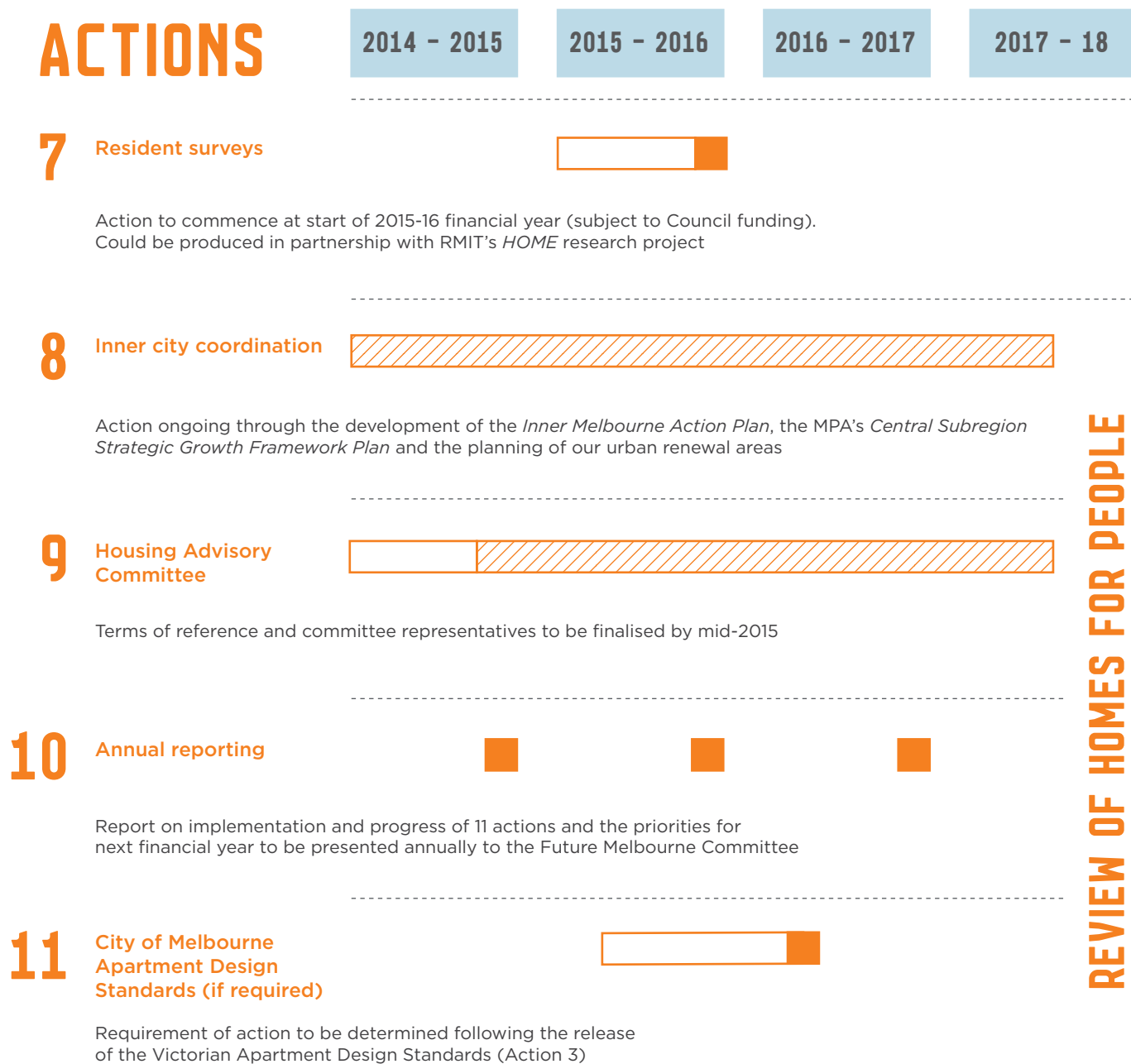
6 Good housing campaign



Action ongoing throughout the implementation of the Strategy. To be produced in partnership with stakeholders, including the University of Melbourne's *Transforming Housing* research project

REVIEW OF HOMES FOR PEOPLE

-  Delivery of action
-  Ongoing delivery of action
-  Development of action



REVIEW OF HOMES FOR PEOPLE

Figure 5.3: A provisional programme for the development and delivery of the 11 actions. This will be subject to review each year within the annual report and is dependent on current priorities, funding and the progress of stakeholder partnerships.

In addition to a review of the strategy in 2018, the strategy will be reviewed in light of any significant developments to Commonwealth-State arrangements and funding which impact the actions.

EXPLANATION OF TERMS USED IN THIS STRATEGY

Affordable housing is housing outside the main housing market which is subsidised below the market rate and provided to specified eligible low and moderate income households whose needs are not met by the market.

Affordable living addresses the full costs of living in a certain location, including additional transport costs and impacts on a household's day-to-day schedule due to lack of access to services and facilities.

Affordable rented housing is usually provided to low and moderate income households at discounted rents, commonly managed by a housing association.

The **Building Code of Australia (BCA)** is a uniform set of technical provisions for the design and construction of buildings and other structures throughout Australia.

The **central city** area currently encompasses the central city Hoddle Grid, the area between Victoria Street, La Trobe Street and Docklands. Through current planning scheme amendments, it is proposed to also include Southbank and areas of City North.

The **Commonwealth Rental Assistance Scheme (CRAS)** is an Australian Government initiative to provide funding for low income households in private rental accommodation.

The **Council of Australian Governments (COAG)** is the peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.

Community Housing is owned and/or managed by not-for-profit or community groups.

A **Development Contribution Plan (DCP)** is a planning policy mechanism to collect contributions from developers towards infrastructure provision.

The **Department of Human Services (DHS)** is a Victorian Government department providing public and social housing and support for low income Victorians.

The **Department of Environment, Land, Water and Planning (DELWP)** is a Victorian Government department responsible for managing the state's planning system and building stronger communities. (Previously known as the Department of Transport, Planning and Local Infrastructure (DTPLI) and the Department of Planning and Community Development (DPCD)).

Double-loaded corridors occur where apartments are located on both sides of an internal corridor.

Dual aspect dwellings are dwellings with two external facades.

High income earners are those who earn \$1500 or more per week (gross).

High rent dwellings rent for \$450 or more per week.

Homelessness - there are three categories of homelessness which were developed to understand and assess the number of people experiencing homelessness in Australia in the Australian Bureau of Statistics (ABS) Census. These are:

- **Primary homelessness** includes those without conventional accommodation such as people living on the streets, sleeping in derelict buildings, or using cars for temporary shelter.

- **Secondary homelessness** includes those who move frequently from one form of temporary shelter to another. This category covers people accommodated in homeless services, people residing temporarily with family and friends and those using rooming or boarding houses on an occasional basis.
- **Tertiary homelessness** includes those who live in boarding houses on a medium to long term basis. This type of accommodation typically does not have self-contained rooms and residents share bathroom and kitchen facilities. Rooming house residents do not have the security of tenure provided by a lease.

Housing affordability is a measure of whether housing available on the main housing market may be afforded by certain groups of households.

Housing associations expand new housing through construction, purchase or acquisition, using a mix of government funds and private sector investment. They also manage housing portfolios - properties owned by themselves or leased from other parties, such as the Director of Housing (DHS). There are currently eight registered housing associations in Victoria.

Housing size refers to the amount of internal and external floor space available for residents to live in and the number of people who are able to live comfortably in a dwelling with enough space for a range of activities to take place at the same time.

Housing stress is when housing is considered unaffordable as rent or mortgage payments exceed 30 per cent of the gross household income for low and moderate income households.

Housing tenure refers to whether the housing is privately owned (or mortgaged), part-owned or part-rented through shared equity, privately rented, socially rented (for example, public housing, transitional housing or community housing), a rooming/board house or serviced apartments.

Housing type can refer to the form of the house - if it is a townhouse, house or an apartment in a high or low-rise development, the number of bedrooms and whether it is usable and accessible for all people.

Inclusionary zoning is a planning provision requiring incorporation of a certain use or facility in approved developments in the interests of maintaining environmentally responsible or sustainable outcomes.

The **Inner city** is the area within the City of Melbourne municipality surrounding the central city, including Carlton, Kensington, Parkville, North Melbourne, West Melbourne, South Yarra West and East Melbourne.

Key workers is a term that broadly implies occupations necessary to the efficient functioning of a city and communities, particularly service industry workers. Such occupations could include, for example, emergency workers, nurses, teachers, police, hospitality workers and cleaners.

Knowledge workers are those whose main capital is knowledge. Such occupations could include financiers, lawyers, engineers, scientists or researchers.

A **Local Environment Plan (LEP)** is a policy document for the City of Sydney.

Low income earners are those who earn between \$1 - \$599 per week (gross).

Low rent dwellings rent for \$0 - \$199 per week.

Middle income earners are those who earn between \$600 - \$1499 per week (gross).

Medium rent dwellings rent for \$200 - \$449 per week.

The **Municipal Strategic Statement (MSS)** is a high level land use and development strategy which forms part of a Planning Scheme.

The **National Affordable Housing Agreement (NAHA)** is an agreement by the Council of Australian Governments (COAG) that commenced on 1 January 2009 initiating a whole-of-government approach in tackling the problem of housing affordability.

The **National Rental Affordability Scheme (NRAS)** was an Australian Government initiative to stimulate the supply of affordable rental dwellings.

The **Office of the Victorian Government Architect (OVGA)** provides leadership and strategic advice to government about architecture and urban design and promotes an awareness about how good design can make great living places and urban environments.

Owner occupiers are those who own their home outright or have a mortgage.

The **Planning Scheme** sets out policies and provisions for use, development and protection of land. Each local government area in Victoria is covered by a planning scheme. The City of Melbourne is covered by the *Melbourne Planning Scheme*.

Public Housing is owned and managed by the Victorian government.

Registered Housing Associations develop, own and manage affordable rental housing properties.

A **single aspect** dwelling is a dwelling with only one external façade.

Social Housing is a term used to describe public, community and transitional housing.

Transitional Housing is owned by the Victorian Government but managed by the community housing sector.

State Environmental Planning Policy 65 is the Design Quality of Residential Flat Development (SEPP 65) Planning policy and guidance aimed at improving the design quality of residential flat buildings in New South Wales. It contains principles for good design and provides guidance for evaluating the merit of design solutions.

Structure Plans are planning documents that guide the land use and built form of future development in the City of Melbourne's urban renewal areas.

Urban Renewal Areas are areas identified by the City of Melbourne in the Municipal Strategic Statement for future growth.

VCAT is the Victorian Civil and Administrative Tribunal.

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