In Our Backyard -
Growing Affordable
Housing in Port Phillip
2015 – 2025

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MESSAGE FROM THE MAYOR

Council respectfully acknowledges the Yalukit Wilam Clan of the Boon Wurrung. We pay our respects to their Elders, both past and present. We acknowledge and uphold their continuing relationship to this land.

Most of us take for granted that we have a safe, secure and affordable home. But for too many in our community, this is not the case. We all have a responsibility to make a contribution to reducing homelessness by ensuring there is more affordable housing.

Over the last 30 years Council has made a significant ongoing commitment to both understanding the affordable housing issue and developing solutions, including the allocation of $55.6m in property and cash.

In 2005 with the establishment of the Port Phillip Housing Trust, our community has benefited from a productive and successful relationship with the Port Phillip Housing Association as Trustee, which has delivered 64 new community housing units (between 2005 and 2015).

Council recognises the importance of maintaining a socially diverse and inclusive community, and that appropriate housing is important to maintain the health and wellbeing of our residents (Council’s Housing Strategy 2007 - 17 and Municipal Public Health and Well-Being Plan 2013 - 17).

In Our Backyard - Growing Affordable Housing in Port Phillip 2015 - 2025 is our plan to address housing affordability in the City of Port Phillip. It is a plan that reflects Council’s long-standing leadership in affordable housing and our commitment to maintaining a diverse, inclusive and equitable City, especially for those who are disadvantaged and marginalised.

In Our Backyard identifies Council’s role and actions it will take to grow the supply and diversity of affordable housing in the City of Port Phillip to address priority local housing needs.

Going forward over the next 10 years to 2025, Council will continue to make a significant commitment estimated at $30 million, with a pipeline of suitable developable Council land ($25 million value at 2016) together with cash contributions of $500,000 per year.

Council will seek expressions of interest from Port Phillip Housing Association, South Port Community Housing Group and St Kilda Community Housing to develop these properties, to ensure that best value (social, economic and environmental) is achieved for the residents of the City of Port Phillip.

Exploring potential planning mechanisms in Port Philip, including Fishermans Bend, is also an important strategy to facilitate delivery of affordable housing by the private sector.

Council recognises that both rental housing and home purchasing is generally unaffordable for Port Phillip’s low to moderate income residents.

Affordable housing is vital to maintaining social inclusion, equity and tolerance. I look forward to seeing this plan implemented so housing is attainable for more of our residents, especially those who are socially disadvantaged and marginalised.

Cr Bernadene Voss
Mayor, City of Port Phillip
1.0 Introduction

Social inclusion, equity and respect for diversity are at the heart of the cultural fabric of the City of Port Phillip. The Council Plan 2013-17 calls for a ‘healthy, creative and inclusive city’, one that welcomes diversity, social justice and the ‘delivery of affordable housing to meet community needs’. The City of Port Phillip has long recognised that affordable housing is fundamental to ensuring a vibrant and liveable city, and the health and wellbeing of its community.

For over 30 years, the City of Port Phillip has been recognised as a national leader in demonstrating how local government enables growth in affordable housing having:

- Developed Australia’s largest community housing program between 1985 and 2006 that directly provided 311 units in 14 projects.
- Pioneered the development of community housing in air space over Council car parks and community facilities.

Since 1985, there has been a combined 645 community housing units delivered either by Council and the Port Phillip Housing Trust, or the Port Phillip Housing Association as it’s own company. This was possible because of partnerships with the Victorian and Commonwealth governments.

Over the last decade, new factors have arisen that have increased the demand for affordable housing. Conversely, the proportion of affordable housing units in the City of Port Phillip is now declining, while new affordable housing needs are appearing. If left unaddressed, this decline will detract from the City’s reputation as a diverse, inclusive and equitable city.

The City of Port Phillip recognises it needs to respond proactively to ensure housing diversity remains available across the City. Affordable housing is an important component of this housing choice, and Council recognises the important role partnerships with Port Phillip Housing Association (PPHA), St Kilda Community Housing (St KCH), South Port Community Housing Group (SPCHG) and the private sector will have in addressing the local affordable housing needs. This importance is similarly recognised by the Victorian Government, which sees community housing organisations as the primary vehicle for growing social housing in the State.

Over the next 10 years, the City of Port Phillip aims to reverse the decline in the proportion of affordable housing in the City, cater to emerging local housing needs, and ensure the provision of affordable housing becomes a component of private development. Through direct investment of $30 million of Council property assets and supporting cash contributions, around 170 new community housing units will be delivered, representing an estimated development value of between $36 million and $41 million.

_In Our Backyard_ outlines strategies and actions, as well as expected outcomes, to ensure affordable housing remains an important component of the City’s housing offer over the next decade. The strategy includes specific Council commitments and also reflects a broader agenda to strengthen Council’s partnerships with local community housing organisations, the Victorian and Commonwealth governments, and the private and community sectors to effectively address together the significant affordable housing challenge.
2.0 Affordable housing in the City of Port Phillip

Defining affordable housing

Affordable housing refers to housing that meets the needs of low to moderate income households unable to access suitable housing in the private market without assistance. The currently accepted benchmark for affordability is 30 per cent or less of household income spent on accommodation costs, for households in the lowest 40 per cent of the income range.

Social Housing provides rental housing in perpetuity to low household income groups. In the City of Port Phillip, affordable housing is provided through the following providers of social housing:

- **Public Housing** - provided, owned and managed by the Victorian Government’s Department of Health and Human Services (DHHS).

- **Community Housing** - provided, owned and/or managed by community housing organisations. There are two main types of community housing organisations in Victoria:

  1. **Registered Housing Associations** which are able to develop housing projects in their own right. They have a relatively high development capacity, as well as capacity to assume the development risk on housing projects. Registered Housing Associations often generally house a wider range of target groups. They charge rents at 25 per cent of income, and can charge rents up to 30 per cent of income (up to 75 per cent of market rent) for housing owned by Housing Associations.

     PPHA is one of a number of registered housing associations in Victoria. It is the only one whose primary focus is within the City of Port Phillip. It currently manages 628 units across the City.

  2. **Registered Housing Providers** which generally focus on management of social housing, with some having a development capacity for smaller housing projects. They tend to focus on housing specific target groups, generally lower income groups. They charge rents up to 25 per cent of gross household income, where they manage DHHS housing. They can also charge rents of up to 30 per cent of income for any housing they own.

     SPCHG and St KCH are the two registered housing providers based in the City of Port Phillip. They manage 287 units and 337 units respectively.

There are a number of other registered and unregistered community housing organisations operating in the City of Port Phillip, but they are not based in the municipality.
Affordable home ownership does not currently exist in Port Phillip, as the cost of renting and purchasing housing has increased significantly faster than increases in income levels. Over the last 10 years, most home ownership in urban areas has become increasingly unaffordable for low and moderate income households.

In addition to these definitions of affordable housing, an increasing number of philanthropic foundations, ethical investors and charities are also supporting affordable housing delivery. This is typically through providing funding to assist in the delivery of community housing units in partnership with community housing organisations, with ethical investors considering being developers of affordable housing.
Historical perspective – Council’s evolving role

The City of Port Phillip has a long and proud tradition of supporting community housing. Divided into three phases, the delivery of affordable housing has evolved over time in response to the City’s changing context and needs.

Council’s role in affordable housing is founded on the work of the former Cities of Port Melbourne, South Melbourne and St Kilda. The former City of St Kilda played a significant direct role in the provision of community housing, and South Melbourne Council supported the establishment of South Port Community Housing Group Inc. in 1983 (formerly South Port Rooming House Group Inc.). In addition, St Kilda Council was supportive of the establishment of St KCH in 1984 (formerly St Kilda Rooming House Issues Group Inc.). Both organisations were established to manage rooming houses provided by the Victorian Government in the 1980s and 1990s.

**Phase 1: Direct Developer**
Council became a direct developer of community housing between 1985 and 2006, during this period the ‘Port Phillip Housing Program’ became the largest local government housing program in Australia, with $41 million of Council, Victorian and Commonwealth government funds used to develop 311 units across 14 projects. Council helped establish PPHA (formerly St Kilda Housing Association Inc.) in 1986 to manage completed Council projects, with PPHA also becoming a developer from 2000/2001.

**Phase 2: Establishment of the Port Phillip Housing Trust and partnership with PPHA**
In 2005, Council created the Port Phillip Housing Trust (PPHT), with PPHA appointed as Trustee. At this time, Council ceased it’s role as a direct developer of community housing. Of the 311 units developed in Phase 1, Council vested 295 units, valued (in 2007) at $49.2 million, to the PPHT. This ensured the units provide affordable housing in perpetuity, with priority allocation to low income residents with significant links to Port Phillip. One unit has been decommissioned, and the remaining 16 units are owned and managed by DHHS.

From 2005/06 to 2014/15, the City of Port Phillip provided $4 million of Council funding, and the provision of one additional property to the PPHT. These contributions have successfully supported PPHA as Trustee to deliver a further 64 housing units. In addition, PPHA delivered a further 193 new housing units in Port Phillip by securing debt finance and successfully bidding for capital funding from Victorian and Commonwealth governments.

In total there are 358 community housing units managed in the PPHT. This includes 316 units that are either owned (in full or part) and managed, and 42 units that are managed only.
**Housing Trusts**

Housing Trusts are a legal ‘vessel’ for owning and holding funds, contributions and property assets. These are referred to as Trust Funds.

Housing Trusts are often used by contributors or donors of Trust Funds, such as government, as they provide an effective means of perpetually protecting the interests of contributors or donors because they define the Purposes in which Trust Funds can be used and the powers of Trustees.

**Phase 3: Strategic partnerships - In Our Backyard**

*In Our Backyard* details the strategic approach and role of Council over the next ten years to grow the supply of affordable housing units in the City of Port Phillip. It builds upon the existing strong strategic partnerships with both the PPHA and the Victorian Government and seeks to develop new partnerships with St KCH, SPCHG, the Commonwealth Government, and the private and philanthropic sectors.

**Three phases of Council’s role in affordable housing**

**PHASE 1**
1985 – 2006
Council as developer

- 14 projects
- 311 new units
- 370 people housed
- Largest local government program in Australia
- Included air space developments and public-private partnerships
- Leveraged $43.8m investment

**PHASE 2**
2005-2015
Establishment of PPHT and partnership with PPHA

- 3 projects (PPHT)
- 64 new units (PPHT)
- 193 new units (PPHA)
- 365 people housed
  - 12 Council properties worth $49.2m (2007) transferred to establish the PPHT
  - 1 Council property worth $2.5 m (2009) developed
  - 2 additional projects developed under the Trust
  - $4m cash contributions
  - Leveraged $64.5m investment

**PHASE 3**
2015-2026
Strategic Partnerships: “In our Backyard”

- 170 new units (under one or more trusts or other mechanism)
- 750 new units (partnerships with governments, private and philanthropic sectors, and new planning mechanisms)
  - Council properties worth $25m (2015) be transferred to a one or more trusts or other mechanism
  - $5m cash contributions
  - Leverage of $36-$41m investment (forecast)
Local registered housing organisations

The City of Port Phillip recognises the important role partnerships with local community housing organisations will have in continuing to deliver new housing in the City. Each of the three local organisations has a strong commitment to maintain and grow large community housing portfolios in Port Phillip.

The following registered community housing organisations currently operate within the City of Port Phillip:

1. **PPHA** - a registered Housing Association managing 628 units (including 358 units managed in the Port Phillip Housing Trust).
2. **SPCHG** - a registered Housing Provider managing 287 units.
3. **St KCH** - a registered Housing Provider managing 337 units.

In total, 1252 community housing units are currently provided by these registered community housing organisations, representing 2.2 per cent of all dwellings in the City (refer to Appendix 1).

There are six other registered community housing organisations owning and/or managing community housing:

- Community Housing Ltd (67 units)
- Housing Choices Australia (30 units)
- Common Equity Housing Ltd (1 unit)
- Launch Housing (19 units, plus 195 Transitional Housing Management units)
- Women’s Housing Ltd (2 units)
- Prahran Malvern Community Housing (3 units).

In addition, there are a number of small, unregistered community housing organisations or properties providing community housing in Port Phillip, such as Uniting Care Harrison Housing Services (40 units). Overall, these organisations provide a total of 162 community housing units.

Benefits of community housing

Community housing provides a number of social benefits that make it a sustainable and effective form of affordable housing. Community housing is:

- well designed
- efficiently and innovatively developed
- integrated into local communities
- well managed and regulated
- well-resourced with resident support services, where required.
Port Phillip Housing Association

Kyme Place, Port Melbourne, a 27 unit community housing project, developed in 2012 in air space over a replacement Council car park.

This is one of nine projects developed by PPHA in Port Phillip.

Architect: MGS Architects

South Port Community Housing Group

Bank Street, South Melbourne, a 40 unit community housing project, developed in 2012 on land with a long term lease from the Catholic Church.

This is one of two projects developed by SPCHG in Port Phillip.

Architect: Design Inc.

St Kilda Community Housing Ltd

Grey Street, St Kilda, a 19 unit community housing project, refurbished and extended in 2012 on land owned by the DHHS.

This is one of three projects developed by St KCH in Port Phillip.

Architect: De Jong Architects
Key achievements - Port Phillip Housing Program (Phase 1)

Over a 21 year period between 1985 and 2006, the Port Phillip Housing Program became the largest local government housing program in Australia. Achievements include the following select projects:

**Excelsior Hall, Port Melbourne**
This project provided units for singles and persons with a disability in a recycled, historic hall building. Developed by the City of Port Phillip in 2005.

Architect: Michael McKenna Pty Ltd.
Photographer: Trevor Mein

**Inkerman Oasis development, St Kilda (Stage 1)**
This project provided mixed private and community housing developed through a partnership with a private developer between 2005 and 2012.

Architect: William Boag Pty Ltd Architects

**Woodstock community housing, Balaclava**
Developed by Council in the air space over a replacement public car park in 2006 (same model later applied by PPHA for the Kyme Place project).

Architect: MGS Architects
Photographer: John Gollings

**Liardet community housing, Port Melbourne**
Developed by Council in the air space over and adjoining the Liardet Community Centre as it was being upgraded in 2004.

Architect: Tectura
Key achievements – project delivery by PPHA (phase 2)

From 2005/2006 to 2014/2015 PPHA, as Trustee of the PPHT, increased the size of the trust by 64 units in three projects:

1. Ormond Road, Elwood
2. Blessington Street, St Kilda
3. Kyme Place, Port Melbourne (illustrated on page 9).

Ormond Road, Elwood

*Transferred to PPHT in 2007. Redeveloped by PPHA under the Trust in 2008.*

Architects: De Jong Architects

Blessington Street, St Kilda

*Developed by PPHA in 2011 under the PPHT. PPHA negotiated the land acquisitions for the development of 24 one bedroom and 2 two bedroom units. Council supported the project through enabling a land exchange between Council and a private developer.*

*This project was funded under the Nation Building Economic Stimulus Plan.*

Architects: David Watson Architects
Photographer: David Waring
3.0 Our Vision - A diverse, inclusive and equitable City

Council is committed to ensuring our City is a welcoming and safe place for all. Underpinning this direction of our Council Plan (2013-17), a key action is to ‘support the delivery of affordable housing to meet community housing needs’. The Council Plan also seeks to ‘advocate to and partner with others, to address factors impacting on health and wellbeing’.

The City of Port Phillip Municipal Public Health and Wellbeing Plan 2013-17, has a vision for our City as:

‘an active, safe and inclusive community where all people are able to connect and access the places, activities and services required to support positive health and wellbeing’.

Housing and homelessness is one of nine priority areas in the Plan:

‘Council recognises that housing is a basic human right and is cognisant of the impact that housing stress and homelessness can have on a person’s life’.

The City’s Social Justice Charter also subscribes to a number of core values that reflect why the growth of affordable housing in Port Phillip remains a high priority for Council. These values are:

- **Access** - equality of access to information, facilities and services
- **Respect** - valuing diversity
- **Addressing the rising cost of living** - reducing disadvantage
- **Enjoying the City** - being connected

‘Everyone is part of a minority in different ways and all minorities are part of community. That’s what makes community - many different perspectives’

A continued decline in the proportion of affordable housing may lead to:

- loss of community diversity
- greater housing stress, including the dislocation of existing residents to more affordable areas with poor access to public transport, shops and services
- less social equity, with the erosion of the richness of cultural experience, and the inability of affected residents to participate in their communities due to housing stress, homelessness or dislocation to other areas
- loss of local services, in particular support services that target our most vulnerable community members and are crucial to our local community housing sector.
4.0 The affordable housing challenge

Housing affordability and local housing need

*The level of housing affordability*

The housing affordability problem (rental and home ownership) has deepened and broadened over the last 10 to 20 years in Port Phillip, from affecting the lower 50 - 60 per cent of the income range of residents in 1995 to affecting the lower 70 per cent of their income range in 2015.

Using the benchmark ratio of rent / mortgage costs to household income of 30 per cent, the housing affordability problem in Port Phillip is demonstrated by the following:

- less than 1 per cent of private rental housing is affordable to low income households
- rental housing is unaffordable to all households up to the lower 60 - 70 per cent of the income range
- home ownership is unaffordable for persons in lowest 70 per cent of the income range, being twice as expensive compared with Greater Melbourne, and median priced houses or units are generally only affordable to persons in the highest 10 per cent of the income range
- rental stress impacts on 6,261 households in Port Phillip (2013). If all those in housing stress were rehoused in community housing, this would cost an estimated $1.9 billion
- the traditional form of private affordable housing almost totally disappearing over the last 10 to 20 years through the closure of private rooming houses and the subdivision of rental flats for home ownership or higher rental as investment flats.

*Priority local housing needs*

The housing affordability problem has increased the level of housing stress for most low to moderate income households and increased demand for social housing.

Low income single persons, including older persons, have been the largest component of the community needing affordable housing over the last 30 years, comprising approximately 80 per cent of local demand for community housing. This demand will continue to dominate local housing need in the next 10 years as the average household size continues to decrease and the population profile continues to age.

Within the spectrum of target groups assisted by community housing organisations, over the last 10 years specific target groups / household types have emerged as having particular housing needs. Based on local housing information, trends and external research, and anecdotal information, these groups comprise:

- older persons, in particular older single women
- low income families, including larger families
- singles at greatest risk of homelessness
- low income wage earners / key workers.
As an input to help assess how to target and achieve best value from Council’s property assets and supporting cash contributions to grow the number of community housing units in Port Phillip, a cost benefit analysis was undertaken to measure the net community benefit of a number of partnership scenarios.

**Cost Benefit Analysis**

The cost benefit analysis found the option of broadening partnerships with local community housing organisations, through maintaining and strengthening the partnership with PPHA and entering into new partnerships with SPCHG and St KCH, created the greatest net community benefit in the following areas:

- the provision of new community housing
- avoided health, justice and welfare costs
- labour force engagement
- community diversity and strengthening.

The analysis found the value of Council’s investment was enhanced by increasing the provision of community housing addressing the needs of singles at greater risk of homelessness.

In general, the analysis demonstrated that over the next 26 years, the City of Port Phillip would receive $79.2 million worth of benefits for a cost of $26.6 million. This would provide a benefit to cost ratio of 2.9:1 and illustrated that there will be a net community benefit through investment in partnerships with the three organisations.

*Cost Benefit Analysis, March 2014, SGS Economics and Planning*

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“We have lived in St Kilda for over 20 years - we are about to be thrown out on the street.”

“We have lived in St Kilda for over 20 years. I am 75 and my husband is 77, he relies on oxygen throughout the day, but especially at night. I have had five operations on my back. We are both on a lot of medication and have many outpatient visits to specialists at The Alfred. We have rented this home for 15 years, and now we have to leave because it is being sold, but we cannot find anything to rent, even within a ring of 10 kilometres from this area, and everything we have tried has then had an extra $50 added to the weekly advertised rent by the time we have inspected or applied for it – we are about to be thrown out on the street.”

‘George and Mary’ relocated to social housing in St Kilda.
The affordable housing context and barriers to solutions

Council’s strategic approach and ‘action plan’ for growing affordable housing over the next decade responds to the changing housing context, barriers to delivery and opportunities discussed below. This ensures Council’s efforts are focused and best placed to achieve its affordable housing goal.

The attraction of the City of Port Phillip

Accommodation in the City of Port Phillip continues to be highly sought after with residents enjoying the following benefits:

- availability of a wide variety of local and regional services
- proximity to shops, recreation and leisure opportunities and parks
- access to local and central city jobs
- well connected public transport
- high quality bicycle paths, footpaths, and streetscapes.

High accessibility assists in reducing living expenses, and consequently Port Phillip is ideally placed for locating affordable housing.

“It is hard to live anywhere on low income. It is better in St Kilda because there are lots of services.”

City of Port Phillip Social Justice Charter

The universal attraction of Port Phillip has however, contributed to a significant increase in its housing prices – both for purchase and rental.

“Without housing, my rights to be treated fairly within society were taken from me.”

“When I became sick with cancer, being a single woman left me no means of support except a sickness benefit. I lost my job and couldn’t continue my studies, and my low income had to cover rent, food, electricity, transport and medication. Pretty soon the only accommodation I could afford was a rooming house and this presented a new list of problems that hindered my long term health... without one’s health, even a small issue like housing becomes one of the most important issues in your life. Without appropriate housing, my rights to proper health care were taken from me. Without housing, my rights to be treated fairly within society were taken from me.”

‘Lisa’ was relocated to social housing in Port Phillip.
Declining affordability of housing

Over the last census period (2006-2011), Melbourne median house prices increased by 42 per cent while median household incomes increased by only 23 per cent. The attraction of the City of Port Phillip has amplified this trend, with the ratio of housing purchase costs to household income approximately twice the Melbourne metropolitan average.

“As a growing number of high-income earners are attracted to the City of Port Phillip, the challenge for Council is to create a place where people from all walks of life can enjoy the city. Lack of personal wealth should not limit people’s ability to enjoy the opportunities that society offers”.

City of Port Phillip Social Justice Charter

Shift in target markets by the private sector

Historically the private sector targeted multiple market segments, providing ‘low cost’ housing to moderate and occasionally low income groups. Increasingly the private sector is targeting the wealthiest 30 per cent of the income range in their product mix; with moderate income earners (in the middle 50 to 70 per cent of the income range) becoming less able to afford local accommodation.

There are also few incentives for private developers to target moderate or low income market segments, or partner with other organisations to deliver affordable housing.

The broadening housing affordability problem

The housing affordability problem was previously contained to low income households, but now extends to also limit access to rental housing and home ownership by moderate income households. The consequence of this trend is that households seeking home ownership often stay for long periods or permanently in the private rental market. This increased demand for private rental housing contributes to an increase in private rent levels, increased housing stress, a greater demand for social housing, or long-term residents being forced to leave the municipality to find affordable housing, often relocating to areas with poor access to shops, public transport and social services.

This problem creates the need for new affordable housing products and delivery models to address a wider range of needs (refer to Appendix 2).

The opportunity exists for Council to direct its support for local community housing in a way that most effectively targets and addresses emerging local housing needs.
Rising cost of land

Rapidly increasing land prices are core to the decline in housing affordability and present a primary barrier for the community housing sector, and government, to deliver growth in affordable housing. The high cost of land constrains the ability of our local community housing organisations to purchase sites on the open market, and reduces the viability and deliverability of new affordable housing projects.

Accordingly, there is an increasing reliance of community housing organisations on government support and subsidies to enable delivery of new housing.

Shift in the role and focus of the Victorian and Commonwealth Governments

Historically, the Victorian Government has directly funded public housing, however the emphasis has now shifted to using community housing organisations as the providers of new social housing. The recent lack of growth in public housing, and an absence of capital funding for new community housing projects, has resulted in the relative decline in the level of social housing as a component of all housing in Port Phillip. Similarly the withdrawal of National Rental Affordability Scheme (NRAS) subsidies by the Commonwealth Government has further constrained affordable rental housing supply.

Most recently however, there has been strong recognition and interest in the affordable housing challenge, by both the Victorian and Commonwealth governments. The current formulation of new social housing policy by the State presents an opportunity for Council to work collaboratively to identify solutions to the affordable housing challenge.

Council wants to ensure that it and local community housing organisations are well placed to leverage any available Victorian and Commonwealth government partnership funding or other housing initiatives.

Need for a robust local community housing sector

Council recognises the importance of supporting a robust local community housing sector and building the capacity of local housing organisations. This recognises the benefits, efficiencies and long term viability of community housing. The three existing local community housing organisations also respond to the diversity of housing needs across Port Phillip, ranging from families and persons at greatest risk of homelessness, to low income wage earners and ‘key workers’. ‘Key workers’ is a term that broadly implies occupations necessary to the efficient functioning of a city and communities, particularly service industry workers such as emergency workers, nurses, teachers, hospitality workers and cleaners.
Opportunities through partnerships

There is increasing interest from philanthropic and some private investors in affordable housing. This creates the potential for new funding streams and partnership arrangements that can make a significant contribution to the supply of new affordable housing.

The strategies identified In Our Backyard primarily target changing housing needs and the barriers outlined above to enable affordable housing to be delivered by both community housing organisations and the private sector.

Fishermans Bend – Snapshot of the affordable housing challenge

Achieving a supply of affordable housing in Fishermans Bend is an imperative to create a diverse and inclusive new community.

Only 1.3 per cent of new housing in Fishermans Bend is projected to be affordable to all households over the next 40 years. Without government intervention and planning mechanisms, the private housing market will exclude:

- all very low and low income renters and purchasers, comprising small households with singles and couples and family households with children
- all moderate income renting and purchasing family households
- two thirds of small moderate income purchasing households
- one third of small moderate renting households
- low income wage earners / key workers, creating a labour supply problem for local businesses and industry through unstable access to a reliable workforce due to long commuting distances from areas with affordable housing.

Fishermans Bend Urban Renewal Area: Options for Delivery of Affordable Housing, June 2013, Judith Stubbs & Associates
5.0 Our affordable housing goal

The City of Port Phillip recognises the importance of ensuring affordable housing forms part of the housing mix available in the municipality. It also recognises that the core reasons for the affordable housing challenge are unlikely to change in the foreseeable future. The solution rests not with making all housing in the City more affordable, but with responding directly to the barriers that limit the delivery of affordable housing.

_In Our Backyard_ is underpinned by the following goal:

_Grow the supply and diversity of affordable housing in the City of Port Phillip to address priority local housing needs, including for the most disadvantaged and marginalised._

This goal recognises the broadening housing affordability problem, which requires action across government and the housing sector to deliver a wider range of housing products.

The City has developed a framework around this goal with a series of strategies, policy, and associated outcomes and benefits, which forms the basis of this affordable housing plan.

Our forecast

Social housing levels, as a proportion of total dwellings in Port Phillip, have been declining over the last 20 years. In 1996, social housing comprised 8.0 per cent of the City’s housing stock, with this declining to the current 7.2 per cent. In the last 10 years, the extent of this decline has been moderated through the investment in social housing by the Victorian and Commonwealth governments under the _Nation Building – Economic Stimulus Plan, Social Housing Investment_ program (2008-2010).

If no new social housing units are delivered in Port Phillip over the next decade, this crucial component of affordable housing as a proportion of the City’s total housing stock will reduce further, from the current 7.2 per cent to a forecast 5.9 per cent by 2025. This is at a time when the broadening affordability challenge means new target groups will place additional demand on the existing supply of affordable housing.

Over the next 10 years, over 920 new social housing units will be required to maintain the City’s current 7.2 per cent proportion. 170 new units will be provided through Council’s commitment to leverage its existing under-utilised property assets whilst the remaining strategies of _In Our Backyard_ will need to deliver the residual 750 additional units.

In order to meet these additional needs, the private sector will need to contribute to the delivery of low cost and community housing. As highlighted in our Strategic Framework, the implementation of new planning mechanisms and development incentives will be crucial to this.
Our key deliverables

This plan has been created to deliver the following outcomes:

2. Potential new partnerships with St KCH, SPCHG, the Commonwealth Government, private organisations, Community Land Trusts, philanthropic foundations, ethical investors, charities and other housing providers interested in delivering new affordable housing units in the City of Port Phillip.
3. 170 new community housing units by leveraging underutilised Council assets.
4. 750 community housing units in partnership with other organisations.
5. $36 million to $41 million of development investment, leveraged by a $30 million Council contribution of property assets and cash over 10 years.
6. $79 million in net community benefits over 26 years.
7. Planning mechanisms that ensure the private sector delivers affordable housing.
8. Expanded capacity and expertise of Council and local registered community housing organisations in innovating to deliver affordable housing into the future.

The affordable housing plan detailed in section six will achieve these outcomes.
6.0 Our affordable housing plan

The strategic framework

The City of Port Phillip is directly targeting the barriers to delivering new housing as described in Section 4. Council has developed a Strategic Framework to guide our response, which consists of four pillars each comprising a number of policies and associated actions.

**Use Council property to deliver new community housing units**

- Contribute Council property assets and cash to local community housing organisations through an expression of interest process (Policy 1)
- Deliver community housing on other Council property divested to the private sector (Policy 2)

**Optimise benefits from existing affordable housing sites**

- Work with the Victorian Government to identify and facilitate opportunities to improve and increase yield from existing public housing sites (Policy 3)
- Facilitate PPHA to identify existing PPHT assets that can be redeveloped to increase their housing yield (Policy 4)

**Implement planning mechanisms**

- Identify opportunities for affordable housing planning mechanisms and work with the Victorian Government on how this can be delivered, including at Fishermans Bend (Policy 5)
- Apply this planning mechanism to deliver social and affordable housing through private sector development (Policy 5)

**Continue to provide local government leadership**

- Facilitate delivery of affordable housing projects by other organisations (Policy 6)
- Foster innovative models to achieve a broader spectrum of affordable housing (Policy 7)
Our policy and action plan

Strategy 1: Use Council property to deliver new community housing units

POLICY 1
Provide a pipeline of Council property assets with supporting cash contributions for the purposes of delivering new community housing units in the City of Port Phillip.

Actions

1.1 Allocate Council cash and property contributions over the next 10 year period (commencing 2015/16), valued at an estimated $30 million:

- In association with Council’s Asset Management Strategy and subject to appropriate due diligence and future Council resolutions, identify and endorse a pipeline of suitable developable Council land, either in the order of 5,000 m² of land area ($25 million value at 2016) or with potential to deliver approximately 170 new community housing units. The properties are to be underutilised or have the ability to accommodate air space development (eg. over Council car parks or above community facilities). Any repurposing needs to be undertaken in accordance with Council’s Asset Management Strategy, in accordance with the Local Government Act (1989) and the Local Government Best Practice Guidelines for the Sale, Exchange and Transfer of Land (2009), and be subject to due diligence and future Council resolutions. This property pipeline is expected to deliver a total of 170 new community housing units, depending on site parameters and target housing type. All identified properties will be transferred to a housing trust or other legal mechanism to protect Council’s interests in perpetuity and to ensure on going benefits to the Port Phillip community.

- Package Council properties with supporting cash contributions of $500,000 per year over the next 10 years totalling $5 million (commencing 2015/16), for the purpose of assisting local registered community housing organisations to leverage finance for the delivery of projects. The distribution of cash contributions will include consideration of:
  - the number and range of units to be delivered
  - target housing needs (with additional subsidies provided for ‘higher need’ residents)
  - the relative benefits of a guaranteed cash flow versus a lump sum payment.

1.2 Develop an Expression of Interest (EOI) process for the allocation of ‘packaged’ Council property and supporting cash contributions commencing July 2016, that will include consideration of the following:

- giving preference to local registered community housing organisations (PPHA, St KCH and SPCHG), including the opportunity for partnerships either between these organisations or with other community housing or other organisations
- innovative solutions that best address priority local housing needs
- leveraging any available Victorian and/or Commonwealth Government partnership funding.
1.3 Use ‘Housing Trusts’ or other legal mechanism to protect Council’s interests in perpetuity, ensuring that property and cash contributions deliver ongoing benefits to the Port Phillip community.

Outcomes and benefits

1. 170 new community housing units provided over the next 10 years, with all new units provided in perpetuity.
2. An estimated $36 to $41 million of development investment by local community housing organisations, delivered by leveraging Council’s $30 million contribution of property assets and cash over 10 years.
3. $79 million in net community benefits generated over the next 26 years.
4. Maximum social benefits are achieved to the City of Port Phillip, consistent with the Local Government Best Practice Guidelines for the Sale, Exchange and Transfer of Land (2009), though the use of a competitive Expression of Interest process.

Why an expression of interest process?

An Expression of Interest process is appropriate as:

- It will ensure that best value (social, economic and environmental) is achieved for the residents of the City of Port Phillip.
- It is a competitive process, aligned with the expectation under the Local Government Best Practice Guidelines for the Sale, Exchange and Transfer of Land (2009). These Guidelines state that sales should be conducted through a public process to ensure probity, public accountability and transparency.
- In addition to selling the land Council wishes to control the future use or development of the land – in this case in perpetuity for community housing.
- It is a method whereby Council can assess and test its’ assumptions with EOI respondents about the opportunity and benefits that can be realised from the land.
- It will be established with a view to minimising the financial and resourcing implications to ensure participation is encouraged and enabled.

The expression of interest will encourage innovation in the sector, and will include weighted key performance indicators related to:

<table>
<thead>
<tr>
<th>SOCIAL BENEFITS</th>
<th>Development yield – number of new community housing units to be delivered</th>
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<tbody>
<tr>
<td></td>
<td>Ability to house target groups/housing types aligned with priority local housing needs</td>
</tr>
<tr>
<td>ECONOMIC BENEFITS</td>
<td>Project financial feasibility and viability, including need for and level of supporting cash contributions</td>
</tr>
</tbody>
</table>
Progressively identify surplus or under-utilised Council properties suitable for housing or mixed use development, which could deliver a component of community housing as a social return to Council, including the opportunity for partnership funding with the Victorian and Commonwealth governments to pilot new models for delivering affordable housing.

Develop an EOI process for the divestment of identified Council properties that requires prospective developers to include a proportion of community housing units. Community housing units will be either:

- ‘gifted’ to a registered housing organisation
- sold to a registered housing organisation at a discounted market value
- developed in partnership between the developer and the registered housing organisation.

Outcomes and benefits

1. Optimal community benefit achieved, that balances financial returns with a social return to the City.
2. Community housing is delivered on suitable land divested by Council.
3. Ownership of new community housing units on former Council land is vested with registered local housing organisations, providing affordable housing in perpetuity.
4. Private sector procurement model for delivering affordable housing in mixed used developments is demonstrated.
Strategy 2: Optimise benefits from existing affordable housing sites

**POLICY 3**
Facilitate opportunities to increase affordable housing yield and diversity on existing social housing sites, through transfer, redevelopment, or sale and reinvestment.

**Actions**

3.1 **Work with the Victorian Government to identify and facilitate opportunities to pilot new delivery models and increase the yield, diversity and/or quality of housing in existing public housing estates**, where there is a clear social benefit through:
- the sale of underutilised properties with proceeds directed to the development of higher yielding properties elsewhere in the City of Port Phillip
- redevelopment that establishes new social housing, with transfers to registered Housing Associations and Housing Providers
- redevelopment that establishes mixed housing outcomes, including public housing, community housing, Community Land Trusts and private housing.

3.2 **Facilitate renewal of social housing assets owned by other community housing, not-for-profit organisations or ethical investors**, where this will realise an increase in supply and / or diversity.

3.3 **Advocate that the Victorian Government make social housing projects exempt from site density limits in the Neighbourhood Residential Zone**, whilst ensuring high quality site responsive design.

**Outcomes and benefits**

1. The number of social housing units provided through existing public housing is maintained or increased.
2. Public housing units are redeveloped and/or refurbished, ensuring they remain suitable for accommodation.
3. Ownership of some social housing units becomes vested with local community housing organisations, increasing their portfolios.
4. Additional affordable housing units are delivered on underutilised Victorian or Commonwealth government land.
POLICY 4
Facilitate PPHA to leverage existing PPHT property assets to deliver an increased supply of community housing.

Action

4.1 In partnership with PPHA, as Trustee of the PPHT, identify existing property assets under the Port Phillip Housing Trust that can be effectively and viably leveraged to realise an increased affordable housing yield through appropriate redevelopment, including the opportunity to leverage any available Victorian and Commonwealth Government partnership funding.

Outcomes and benefits

1. PPHA increases the number of affordable housing units in the PPHT, using the existing trust property assets.
2. The quality of community housing units is improved, as new units replace older units, and supersede outdated housing models (including rooming houses).
3. Increased social returns through the replacement of less viable or underutilised housing assets.

Strategy 3: Implement planning mechanisms

POLICY 5
Apply planning mechanisms that encourage the private sector to deliver new affordable housing units.

Actions

5.1 Identify ‘best practice’ international and Australian planning mechanisms that have been successful in delivering long term affordable housing.

5.2 Partner with the Victorian Government to develop planning mechanisms that can deliver social housing and other perpetual affordable housing as a component of private development based on the following principles:

- broad based – to ensure equity and viability, and maximise the extent of housing delivered
- transparency – to create certainty and predictability in relation to the requirements of the development sector, including an appropriate lead time for implementation
• maintaining affordability in perpetuity
• feasibility – having limited material market impact on housing investment and affordability
• targeting contributions to registered Housing Associations and Housing Providers
• flexibility – option for the provision of units or ‘in-lieu’ financial contributions.

5.3 Apply planning mechanisms to require, facilitate or provide incentives to increase the supply of social and affordable housing supply, with the aim that 20 per cent of new dwellings within multi-unit developments are ‘affordable’.

5.4 Investigate the development of planning scheme provisions that incentivise the delivery of social and affordable housing without compromising design quality or amenity (such as floor space ratios in association with development bonuses).

5.5 Investigate the application of planning mechanisms in Fishermans Bend, in collaboration with the Victorian Government and the Fishermans Bend Ministerial Advisory Committee. This aims to meet Council’s Fishermans Bend affordable housing target of 20 per cent affordable housing, with at least 30 per cent of this housing being community housing that is owned and managed by registered Housing Associations or Housing Providers.

Outcomes and benefits

1. The private sector delivers affordable housing to meet planning requirements that are applied across the City.
2. Potential for 20 per cent of all new dwellings within multi-unit developments to be delivered as affordable housing, including a significant component of social housing.
3. Maintains social housing levels at 7.2 per cent of Port Phillip’s total housing stock.
4. Achieving community diversity within Fishermans Bend through delivery of 20 per cent affordable housing as part of its overall housing mix.
5. The portfolio of units vested in local community housing trusts is substantially increased, providing greater leverage for further development.
Over the next 35 years to 2050, Fishermans Bend is projected to deliver approximately 40,000 new dwellings, housing 80,000 new residents. Around 18,300 dwellings, housing 37,000 people are expected in the next 16 years to 2031.

Council's vision for Fishermans Bend is a place where there is adequate housing choice and affordability to meet the needs of a diverse community, including residents from all income cohorts, and those who are socially disadvantaged or marginalised.

Council has endorsed the following strategic outcomes and principles for affordable housing:

1. A diverse mix of housing types including townhouses and apartments that encourage families, independent living for seniors, accessible housing, and affordable and social housing opportunities.
2. At least 20 per cent of housing is affordable, and that no less than 30 per cent of these dwellings are provided as community housing owned and managed by registered Housing Associations or Providers.

By 2031 Fishermans Bend will require an additional 3,700 affordable housing dwellings, including 1,100 social housing dwellings. To achieve this, Council will:

- Support affordable housing ratio targets within the Fishermans Bend Strategic Framework Plan.
- Seek to introduce planning mechanisms that facilitate and incentivise the delivery of affordable housing in new development.
**Strategy 4: Continue to provide local government leadership**

**POLICY 6**
Facilitate the delivery of affordable housing projects by others.

**Actions**

6.1 **Facilitate partnerships between the Victorian and Commonwealth governments, private organisations, Community Land Trusts, philanthropic foundations, ethical investors, charities and other housing providers** to identify potential property developments that enable the delivery of new affordable housing units either as sole affordable housing developments or part of mixed housing developments in the City of Port Phillip. The Fishermans Bend presents a specific opportunity.

6.2 **Facilitate others to deliver affordable housing** in the City of Port Phillip, through Council providing assistance and guidance including:
- property related information
- housing needs analysis
- project procurement and feasibility advice
- information on project examples, development models and standards
- property identification / purchase opportunities
- sharing the findings of Council’s applied research.

**Outcomes and benefits**

1. A wide range of organisations contribute to the delivery of affordable housing in the City of Port Phillip.
2. Beneficial partnerships are created between a wide range of organisations sharing an interest in delivering new affordable housing units.
3. Affordable housing is provided on surplus Victorian and Commonwealth Government land within the City of Port Phillip.
POLICY 7
Foster innovative models to achieve a broader spectrum and diversity of affordable housing.

Actions

7.1 Continue to research global best practices and innovations in achieving affordable housing, and disseminate this knowledge throughout the affordable housing sector.

7.2 Pursue innovative housing models that address local housing needs, in particular, the broader range of target groups in the City. These can include:
- Integrated older persons housing – older persons housing that integrates a range of incomes with ‘ageing in place’ support services and the local community, used by the Humanitas Foundation – Apartments for Life in the Netherlands, and Extra Care Charitable Trust in the UK.
- Common Ground – supported singles housing for persons who are homeless (similar to the Elizabeth Street Common Ground in the City of Melbourne.)
- Community Land Trusts – perpetually affordable home ownership for moderate income households, commonly occurring in the USA, Canada and the UK, but yet to be established in Australia.

7.3 Encourage the private sector and other organisations to pilot new models to provide affordable housing in the City of Port Phillip.

Community Land Trusts (CLTs)
CLTs, as a form of shared equity housing, are a common affordable home ownership option in the US, UK and parts of Canada, but are only now being investigated as a potential new housing tenure in Australia.

CLTs, which can comprise not-for-profit community housing organisations or groups of residents, own the underlying land and sell the dwelling only to home purchasers via ground leases, which remove the land value from the cost of home purchase. When purchasers wish to sell their dwellings, they are required to limit the sale price to a proportion of market price, thereby ensuring that the dwellings remain perpetually affordable to all successive purchasers.
Outcomes and benefits

1. A comprehensive body of research is developed, ensuring that the City of Port Phillip remains at the forefront of thought leadership on affordable housing.
2. The City of Port Phillip leads forums, seminars, newsletters and other similar measures to disseminate its knowledge across the industry.
3. Local community housing organisations, the private sector and charitable or other organisations apply innovative solutions to deliver new affordable housing units in the City.
4. The City of Port Phillip continues to be the leading local government expert for the delivery of affordable housing in Australia.
## APPENDIX 1:

### PROFILE OF PORT PHILLIP HOUSING TRUSTS AND REGISTERED LOCAL COMMUNITY HOUSING ORGANISATIONS

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Geographic Area (of business operation)</th>
<th>Target Groups Housed</th>
<th>Current Portfolio Size in Port Phillip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Phillip Housing Trust</td>
<td>Across Port Phillip</td>
<td>• Older persons</td>
<td>358 units</td>
</tr>
<tr>
<td>Established 2005 (PPHA as Trustee)</td>
<td></td>
<td>• Families</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Couples</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Low income singles (including those with a high risk of homelessness)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Youth</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Low income wage earners/key workers</td>
<td></td>
</tr>
<tr>
<td>Port Phillip Housing Association Ltd.</td>
<td>Across Port Phillip (as well as in three regions of Greater Melbourne)</td>
<td>• Older persons</td>
<td>270 units</td>
</tr>
<tr>
<td>Established 1986</td>
<td></td>
<td>• Families</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Couples</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Low income wage earners/key workers</td>
<td></td>
</tr>
<tr>
<td>South Port Community Housing Group Inc.</td>
<td>South Melbourne-Port Melbourne areas (plus managing rental housing cooperative units in St Kilda/Elwood)</td>
<td>• Singles and couples (in particular persons with a high risk of homelessness)</td>
<td>287 units</td>
</tr>
<tr>
<td>Established 1983</td>
<td></td>
<td>• Youth</td>
<td></td>
</tr>
<tr>
<td>St Kilda Community Housing Ltd.</td>
<td>St Kilda area (plus willingness to consider opportunities across Port Phillip and adjoining suburbs)</td>
<td>• Singles and couples (in particular persons with a high risk of homelessness)</td>
<td>337 units</td>
</tr>
<tr>
<td>Established 1984</td>
<td></td>
<td>• Low income wage earners / key workers</td>
<td></td>
</tr>
</tbody>
</table>

1 Including persons with a disability within these target groups.

2 Singles housing comprises rooming houses and self-contained singles units. For SPCHG and St KCH, these units also house a small proportion of couples.
APPENDIX 2: SPECTRUM OF HOUSING PRODUCTS

Spectrum of Housing Products

DEPTH OF SUBSIDY

- Social (public and community) housing and rooming houses
- Transitional / hybrid
- Alternative / shared equity
- Subsidised private rental
- Private rental
- Home ownership

INCOME SEGMENT

- Very low income (lowest 30% of the income range)
- Low income (31-50% of the income range)
- Moderate income (51-70% of the income range)
- High income (top 71-100% of the income range)

DEPTH OF INCOME

- Crisis and transitional housing
- Public housing (rent @ 25% of incomes)
- Community housing (income @ 30% of incomes)
- Private housing (rent @ 35% of incomes)
- Community housing (rent @ 35% of incomes)
- Rent-to-buy schemes
- Community Land Trust (not to be established in Australia)
- Shares equity housing
- NRAS subsidised housing and private affordable housing (new/old)
- Private rental housing
- Modular timber frame and adaptable housing
- Student housing, reduced size and shell apartments
- Co-housing
- Standard market housing products

Housing Product

- Charities, community housing organisations
- State housing authorities
- Community housing organisations (registered in Victoria as Housing Providers and Housing Associations)
- Private landlords and investors
- State housing authorities (with tenant purchase schemes)
- Groups of residents, community housing organisations or CLOs
- Private developers (can include community housing organisations)
- Investors
- Private developers, community housing organisations
- Groups of private purchasers
- Private developers and home owners

Emerging gap between need of singles at present risk of homelessness and community housing supply.
Opportunity for increased housing products to create a continuum between social housing and market rate private housing.
## GLOSSARY OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CLT</td>
<td>Community Land Trust</td>
</tr>
<tr>
<td>DHHS</td>
<td>Department of Health and Human Services, Victorian Government</td>
</tr>
<tr>
<td>NRAS</td>
<td>National Rental Affordability Scheme</td>
</tr>
<tr>
<td>PPHA</td>
<td>Port Phillip Housing Association Ltd.</td>
</tr>
<tr>
<td>PPHT</td>
<td>Port Phillip Housing Trust</td>
</tr>
<tr>
<td>SPCHG</td>
<td>South Port Community Housing Group Inc.</td>
</tr>
<tr>
<td>St KCH</td>
<td>St Kilda Community Housing Ltd.</td>
</tr>
</tbody>
</table>