



Knox Affordable Housing Action Plan 2015-2020

Knox City Council

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1. Executive summary

Shelter is a basic human right that is enshrined in international covenants and treaties¹. When people have secure and affordable housing that is appropriate to their life circumstances, other needs can be met, such as employment, education and life opportunities. Some people in Knox are at risk of being denied this basic human right due to housing affordability issues.

Housing affordability and the residential housing market are influenced by many factors that are beyond the control of local councils. These include such things as population growth, a shortage of residential housing supply, foreign property ownership, and Commonwealth and State government policies and legislation (for example, tax laws that favour property speculation). Even though the Commonwealth and State governments are best placed to lead initiatives to address housing affordability issues, there are things that Council can do to enhance the supply of affordable housing within its defined role as a planner, provider, partner and advocate, in accordance with its resource constraints.

This is the second Knox Affordable Housing Action Plan (the Action Plan) developed by Council. The first was implemented between 2007 and 2012. During which time, a number of substantial affordable housing achievements occurred including the development of over 260 new social housing dwellings (through Commonwealth Government Economic Stimulus funding), development of positive relationships with social housing providers and the completion of three important pieces of research to strengthen Council's understanding of housing affordability and possible methods to enhance it in Knox. These included *Toward an Affordable Housing Growth Strategy for the City of Knox* (Bisset, 2008), *'Defining Affordable Housing and a Minimum Supply of Social Housing for Knox'* (2011) and the *'Knox Affordable Housing Profile'* (2012).

This Action Plan has been guided by Council's Vision: *Our City, Our Future*, the Knox City Plan 2013-17, the Council Plan 2013-17, the Knox Community Health and Wellbeing Strategy 2013-17 and the Knox Housing Strategy 2015, which set objectives and strategies for achieving desired outcomes for housing affordability and choice in Knox and identify Council's role in affordable housing. Additionally, other Council plans, policies and initiatives were assessed to strengthen overall alignment. Importantly, the Action Plan also builds upon Council's previous housing affordability achievements, responds to key research findings and takes account of targeted stakeholders' views.

The Action Plan will enable the implementation of City Plan strategies 3.1.1 and 3.1.2 and the Knox Community Health and Wellbeing Strategy key strategies 18, 19 and 20. It outlines objectives, actions, outcomes, timelines and costs to improve housing affordability in Knox in accordance with Council's defined affordable housing roles as planner, provider, partner and advocate.

¹ International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights, Convention on the Rights of the Child etc.

The key focus of the Action Plan is to increase the supply of social housing. Social housing provides for the most vulnerable and disadvantaged households in Knox. Council has a greater capacity to influence this market in partnership with social housing providers that are responsible for financing, constructing and managing social housing in Victoria. Council's options to influence affordability within the private housing market are limited because the Victorian planning system does not currently allow councils to require developers to contribute to affordable and/or social housing.

Council has forecast that an additional 860 social housing dwellings will be needed in Knox by 2036 to meet minimum requirements, as well as more diverse and affordable housing options generally. Key approaches to achieve an increased supply across the municipality include:

- A strengthened advocacy role through the Eastern Affordable Housing Alliance;
- Continued engagement and partnership development with social housing providers;
- Negotiation with developers for a voluntary contribution to social housing (of approximately 5%) on larger-scale development sites (on a case-by-case basis);
- A commitment by Council to provide for at least 5% social housing on Council-owned development sites;
- Ensuring that the need for affordable and social housing is considered and addressed in the development of structure plans and other place-based strategic plans for Activity Centres and Strategic Investigation Sites;
- Continuing the Housing Monitoring Program to understand housing needs in Knox and measure changes in the supply of social housing; and
- An ongoing commitment to raising the community's awareness of the need for greater diversity and affordability in housing to counter poor perceptions of affordable and social housing.

The Knox Affordable Housing Reference Group has guided the Action Plan's development to ensure that it is relevant to the needs of the Knox community. The Reference Group comprises representatives from the Knox community, industry, not-for-profit housing services and social housing providers, as well as Councillors and Council staff. Knox City Council wishes to thank the Reference Group for its invaluable contribution to the development of this Plan.

2. Housing affordability in Knox

Data overview

Housing affordability and housing choice in Knox is a weakness identified in the State of Knox report (2014), Council's Master Data Base (2014), and the Knox Affordable Housing Profile (2014).

Housing stress is increasing among Knox households, with 9% of households (4755) paying 30% or more of their gross weekly income on either rent or mortgages. Several northern suburbs of Knox unenviably hold top-10 status for the highest number of households in Melbourne experiencing housing stress and above average mortgage default rates.

Knox's median house prices rose by 243% between 2001 and 2011 (ABS Census) and there has been a sharp decline in outright home ownership. Affordability is declining as growth in median household income has failed to match the growth in house prices. While Knox, particularly areas in the north-east, has traditionally had relatively better housing affordability compared with the metropolitan average (based on the median house price), this gap has been closing over recent years. In the decade from 2001 to 2011 the median house price in Knox increased by \$277,000, from \$194,000 to \$471,500, while median household incomes over the same period have only increased by \$21,000, from \$51,428 to \$72,600 (ABS Census, 2011). Consequently, in Knox, as in Melbourne generally, the average household income is not high enough to comfortably service a mortgage on an average home.

A total of 9150 households are renting in Knox². Private rental accounts for 14.8% of all households in Knox, while a further 2.1% are social housing rentals. Typical³ rental properties in Knox are not affordable for lower income households receiving a Centrelink income. Also, the current rental supply in Knox is strongly skewed towards family sized, detached homes and lacks smaller dwelling types (DHS, September quarter 2011).

Housing choice is limited in Knox, with only 13.1% medium or high density housing (ABS Census, 2011). The current sizes and types of housing in Knox overall are inadequate to respond to the increasing demand for smaller households, particularly from sole and older-person households as the population ages. This is creating a dwelling-to-household mismatch, which indirectly impacts on affordability.

The supply of social housing in Knox is below the Melbourne Metropolitan average. Social housing is government and community-owned housing which is offered to low and medium income earners at below market rents. Only 2.1% of housing stock in Knox is social housing, compared with 2.9% across Metropolitan Melbourne (ABS Census, 2011). Even though Knox has seen an increase of 260 social housing dwellings between 2006 and 2011 (Census 2011), the number of households in the lowest 10% of incomes that do not own their own home has also increased from 3.3% to 4.1% during the same period. This has effectively wiped-out any gains

² Includes those renting but not stating private or public

³ Median priced

arising from the increase in social housing supply. Council research (2014) shows that 390 additional social housing dwellings are now required in Knox to achieve a minimum supply, and by 2036, 860 additional dwellings will be needed.

Affordable housing definitions

Affordable housing

Affordable housing is an **umbrella term** for housing that is affordable for people on low to medium incomes. Affordable housing is defined as:

Housing where the cost (whether mortgage repayment or rent) is no more than 30 % of that household's net income. Exceeding the mark places one under 'housing stress', particularly in the lower 40% of the income distribution scale. This housing should well-located housing and appropriate to the needs of a given household (Defining affordable housing and a minimum supply of social housing for Knox, September 2011⁴).

Affordable housing can be supplied by a variety of developers – commercial businesses, community-based and social housing organisations and the public sector (State Government) – that can offer residents an assortment of tenure options including freehold purchase, private rental, public rental, below market rental (in the case of social housing), leases and licenses (retirement villages) etc. However, housing affordability is not restricted to the cost of purchasing and renting a property. Greater housing diversity can also contribute to Knox's affordable housing stock. For example:

- As Knox continues to experience a gradual increase in smaller households, the provision of different types and sizes of dwellings (units, apartments and villa units) will enable more choice in the marketplace, respond to changing community needs and offer a range of affordability options;
- Environmentally efficient homes can reduce ongoing running and maintenance costs. For example, a large, poorly designed home can require more heating, cooling and ongoing repairs; and
- Homes located close to infrastructure and services are generally more liveable and can reduce reliance on private transport and reduce cost-of-living expenses.

Importantly, the definition of affordable housing particularly focuses on low to medium income earners – *in the lower 40% of the income distribution scale*. One form of affordable housing that Council is well positioned to influence and which can respond to this cohort's needs, is the social housing market. Council is less able to influence macro-economic factors which are driven by market forces and Commonwealth and State Government policies and legislation which influence the private housing market.

⁴ This definition is developed from the definition used in *Melbourne 2030*.

Social housing

The development of social housing is one of many ways to increase the supply of affordable housing and is the primary feature of this Action Plan. The term social housing encompasses the concepts of *community housing and public housing*.

- **Community housing** includes *registered housing associations, registered housing providers* and community- or church-based groups that own and/or manage affordable housing on a not-for-profit basis.
- **Public housing** is owned and managed by the State government for the primary purpose of meeting social objectives, such as affordable rents, property management, security of tenure and good location in relation to employment services.

Social housing is defined as:

Non-profit housing owned and managed for the primary purpose of meeting social objectives such as affordable rents, responsible management, security of tenure and good location in relation to employment services⁵. The term encompasses public housing and includes housing owned or managed by the community. This housing should be well-located and appropriate to the needs of a given household (Defining affordable housing and a minimum supply of social housing for Knox, September 2011⁶).

The availability of social housing in Knox is below the Melbourne Metropolitan average. Only 2.1% of housing stock in Knox is social housing. This compares with 2.9% for Metropolitan Melbourne (ABS Census, 2011). Even though Knox has seen an increase of 260 social housing dwellings between 2006 and 2011 (Census 2011), the number of households in the lowest 10% of incomes that do not own their own home has also increased from 3.3% to 4.1% during the same period. This has effectively wiped-out any gains arising from the increase in social housing supply. Council research (2014) shows that 390 additional social housing dwellings are now required in Knox to achieve a minimum supply, and by 2036, 860 additional dwellings will be needed.

Housing stress

Families and individuals in the bottom 40% of the income scale who are paying more than 30% of their income on rent or mortgage repayments are categorised as experiencing housing stress. Within this context, the **main target group** for the Action Plan is people in '**housing stress**'. This group of people is seen as having less choice to secure affordable housing. However, a number of the strategies in the Action Plan apply to all income groups.

In 2011, one in every 11 Knox households (9% or 4755) was likely to be in housing stress, whether renting or making mortgage repayments. Around one in nine households paying off a mortgage (10.8% or 2520) and one in four households that

⁵ Strict performance standards are set out in the *Housing Act 1983 (Vic)*.

⁶ This definition is developed from the definition used in *Melbourne 2030*.

rent (24% or 2235) were in housing stress (Census, 2011⁷). Proportionately, renters make up the majority of those in housing stress.

Housing stress, Knox, 2001 -2011

	2001	2006	2011
Rental stress		24.7%	24.4%
		(1902 households)	(2235 households)
Mortgage stress		9.0%	10.8%
		(2101 households)	(2520 households)
Total households	48263	50023	53111
TOTAL HOUSING STRESS		8%	9%

Source: ABS Census, 2001, 2006 & 2011

Council supports people who are experiencing housing stress in a range of ways including:

- Providing 38 Council services to support the wellbeing of all residents in Knox, for example, aged, child and family services;
- Funding financial counselling services to assist families to manage their household debts;
- Providing annual operational funding grants to community organisations, including welfare services that provide general budgeting advice and emergency relief; and
- Referring residents to relevant support services in Knox.
- Coordinate and facilitate various community networks of community organisations that support families in Knox.

The cost of an affordable dwelling in Knox

Home purchase

Housing affordability is defined as the price that would allow a *typical* Knox household to service a new mortgage without falling into housing stress. This amount is benchmarked at not more than 30% of a household's income.

The median price of a house in Knox is \$471,500 and \$380,000 for a unit (2011). To be affordable, a typical Knox household earning \$72,600 would be looking to purchase a home for around \$281,000. This is a dwelling cost shortfall of \$190,500 (40%) for a house and \$99,000 (26%) for a unit. This data demonstrates the significant financial challenge for a *typical* Knox household wishing to purchase a home. Refer to the table below.

Low-income households are even further challenged. For example, low to moderate income households in Knox that are earning 80% of the median household income or \$58,100 per year would be seeking to purchase an affordable home for around \$225,000. There are very few properties selling at this price point in the current

⁷ 2011 Census data is the most up-to-date and reliable data available on mortgage and rental stress at the time of writing.

market in Knox and, unsurprisingly, dwelling cost shortfalls⁸ are even greater than for a typical household.

'Affordable' dwelling costs of a typical Knox household, 2011

2011 median household income (annual)	Median monthly household income	Max. monthly mortgage repayment (principal & interest) (30%)	Max. mortgage that can be serviced (90% of house value)	Affordable dwelling price (incl.10% deposit)	Median house price, Knox, 2011	Median unit price, Knox, 2011
\$72,600	\$6050	\$1820	\$253,000	\$281,000	\$471,500	\$380,000

Based on the prevailing interest rate as at June, 2011 or 7.79%. Calculated using online loan calculator using an interest rate of 7.79% over 30 years, based on repayment of principal and interest.

Cost of purchasing an affordable dwelling in Knox over time

The cost of purchasing an affordable dwelling in Knox has significantly increased over time. In 1996, a typical Knox household could easily afford to purchase a typical house or unit in Knox. In fact, in 1996 and 2001 a typical household's capacity to service the on-going costs of a home loan on a median priced dwelling was well in excess of what was required. For example, a median household income was around 15% *higher* than what was required to purchase a typical house in Knox without falling into mortgage stress, and around 35% *higher* than what would be needed to buy a unit.

Estimated 'affordable' dwelling costs in Knox over time

	1996	2001	2006	2010	2011
Median household income (annual)	\$41,860	\$51,428	\$59,436	\$69,000 (est.)	\$72,600
Median monthly household income	\$3490	\$4290	\$4950	\$5750 (est.)	\$6050
Max. monthly mortgage repayment (30%)	\$1050	\$1290	\$1490	\$1725	\$1820
Max. mortgage that can be serviced (90% of house value)	\$122,000 (@9.75%)	\$198,000 (@6.8%)	\$217,000 (@7.3%)	\$250,000 (@7.4%)	\$253,000 (@7.79%)
Affordable dwelling price (incl.10% deposit)	\$135,500	\$220,000	\$241,100	\$278,000	\$281,000
Median house price, Knox	\$118,000	\$194,000	\$311,575	\$490,250	\$471,500
Median unit price, Knox	\$100,000	\$171,000	\$260,000	\$375,425	\$380,000
Affordability* (house)	+15%	+13%	-23%	-43%	-40%
Affordability* (unit)	+35%	+29%	-7%	-26%	-26%

Source: ABS Census (median household income); Land Data, DSE (median house & unit prices)

*Affordability' defined in terms of affordable dwelling price compared with median house and unit price.

Changing housing affordability in Knox is linked to the relationship between median house prices, home loan interest rates and median household incomes – the wider

⁸ Low-income households' dwelling cost shortfalls are \$246,500 or 52% for a house and \$155,000 or 41 % for a unit.

the gap between the identified affordable dwelling price at each point in time, and actual median dwelling prices, the less affordable the housing.

In the context of current record low interest rates in Australia, it is prudent to consider some of the possible consequences of a rise in home loan interest rates. With households currently servicing very high mortgages due to record high house prices, even a small rise in interest rates could negatively affect household budgets, particularly for those already experiencing housing stress. Therefore, increases in personal bankruptcies and mortgage foreclosures are possible. Furthermore, if some householders can no longer afford to service their mortgages, property sellers could flood the market – possibly resulting in a property price reversal. No doubt this would be welcomed by new potential buyers trying to enter the market (i.e. first home buyers), but alarming for households seeking to sell their properties to manage debt arrears. A decline in property prices, in turn, may result in some households experiencing negative equity in their properties. This is where the outstanding mortgage amount exceeds the market value of the property and would mean that some owners would be unable to recover enough money from the sale of their property to repay outstanding mortgage debts.

Cost of affordable rents in Knox

The median weekly rent in Knox is \$300 which is identical to the Melbourne Metropolitan average (Census, 2011). The cost to secure a rental property at this rental price point would include an upfront cost of \$2400, including one month's rent and bond.

A total of 9150 households are renting in Knox⁹. Private rental accounts for 14.8% of all households in Knox and a further 2.1% are social housing rentals. Only 5.6% of private rental properties are affordable to low income households¹⁰. The current rental supply in Knox is strongly skewed towards family sized, detached homes and lacks smaller dwelling types (DHS, September quarter 2011).

Calculations for determining affordable rentals in Knox are based on what is affordable for *lower income households* in Victoria – defined as those receiving Centrelink incomes. Affordability benchmarks for different sized properties are based on a maximum of 30% of the income of a range of household types on a Centrelink income, plus rent assistance.

The following table summarises the current (September, 2011) affordable rental amount for properties of different sizes. This is compared with the median rent for each property type in Knox (as at September, 2011) to identify the 'affordability gap'. It shows that typical¹¹ rental properties in Knox are not affordable for lower income households receiving a Centrelink income. Current median rents for different sized properties in Knox are between 17% (for a four bedroom property) and 53% (for a one bedroom property) *higher* than what is affordable to lower income households receiving a Centrelink income.

⁹ Includes those renting but not stating private or public

¹⁰ Refer to 'Minimum supply of social housing needed in Knox' section for further detail

¹¹ Median priced

Analysis of rental data at a suburb level indicates that while median rents in some suburbs of Knox for some types of properties are lower than the Knox average (therefore, offering better levels of affordability), median rents, even in those suburbs, are considerably higher than the affordability benchmarks for households on Centrelink incomes.

Affordable weekly rent, lower income households, Knox, September quarter, 2011

Indicative household type	Single on Newstart	Single parent, one child	Couple on Newstart, two children	Couple on Newstart, four children
Property type	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
Weekly income	\$237	\$486	\$698	\$902
Rent assistance	\$60	\$70	\$70	\$79
Affordable rent (30% of weekly income plus rent assistance)	\$130	\$215	\$280	\$350
Median rent Knox (Sept. 2011)	\$200	\$300	\$350	\$410
Affordability gap per week	-\$70	-\$85	-\$70	-\$60

Source: DHS Rental Report; Centrelink (Rent Assistance Rates)

Role of social housing providers

Social housing providers seek to house people on low and medium incomes through residential tenancy agreements at below market rent. Their role is to grow the supply of social housing in Victoria through construction, purchase or acquisition of land/properties by leveraging upon government funding and existing property portfolios and private sector investment. They also manage housing portfolios – properties they own or lease from other parties – and are subject to strict performance standards outlined in the *Housing Act 1983 (Vic)*.

There are three key players involved in the provision, regulation and management of community owned and/or managed social housing in Victoria:

1. Director of Housing – provides policy development; funds and leases housing to registered agencies, funds housing support and homelessness services; provides service delivery by ‘owning’ and managing a portfolio of 65,000 houses;
2. Registrar of Housing Agencies – is supported by the housing registrar unit of DHS, registers community-based organisations that provide affordable housing; and
3. Registered housing agencies – are not-for-profit, non-government organisations that develop and/or manage social housing, comprising registered housing associations and registered housing providers.

There are eight *registered housing associations* in Victoria which both develop and manage social housing. Their role is to grow social housing by leveraging upon

government funding and existing property portfolios. Housing associations must be companies limited by shares or guarantee. The eight housing associations are:

1. Common Equity Housing Limited;
2. Community Housing (Vic) Limited;
3. Haven; Home, Safe (trading name of Loddon Mallee Housing Services Ltd);
4. Housing Choices Australia;
5. Port Phillip Housing Association Limited;
6. Rural Housing Network Limited;
7. Wintringham Housing Limited; and
8. Yarra Community Housing Limited.

There are also 34 *registered housing providers* in Victoria which are responsible for managing properties owned by the State Government, as well as managing and/or owning other properties. Registered housing providers can be companies limited by shares or guarantee, incorporated associations or co-operatives.

All registered housing agencies must comply with seven performance standards set-out in the *Housing Act 1983* which relate to:

1. Governance of the agency;
2. Management of the agency;
3. Probity;
4. Financial viability;
5. Tenancy management;
6. Housing management and maintenance; and
7. Risk management.

Minimum supply of social housing needed in Knox

Council forecasts that Knox will experience a shortfall of 860 social housing dwellings by 2036 if action is not taken to boost social housing supply. This figure is based on the assumption that 4.1% of total households in Knox fall into the lowest 10% of incomes (the most vulnerable and disadvantaged households) and are non-home-owners, that private rental dwellings comprise 15% of total households in Knox and that 5.6% of these would be affordable for low income households. The forecast is also based on a 20 year time span (i.e. to 2036) to meet Knox's social housing needs and should be read in the context of a *minimum*, rather than an *optimal* supply.

The forecast provides Council, social housing providers, the State Government and private developers with:

- A clear rationale for targeting developments in Knox to meet local need;
- Data to inform negotiations with private housing developers for voluntary contributions that support affordable/social housing; and
- Baseline data against which changes in the affordable housing supply in Knox can be monitored.

Identifying a minimum social housing supply figure also assists with advocacy, as well as highlighting housing affordable issues in marketing and communications.

Social housing needs in Knox, 2014-2036

Year	'Need' Est. number of very low income households* that do not own their own home.	Number of social housing units	Estimated number of affordable private lettings	% 'need' met by existing social housing plus estimated affordable private lettings	Shortfall of social housing
	4.1% of total households as at 2011 Census	1452 as at June 2012 (DHS)**	5.6% of private rentals***		
Current (2014)	2310	1450	473	83%	-390
2016	2400	1450	491	81%	-460
2021	2540	1450	521	78%	-570
2026	2670	1450	547	75%	-670
2031	2790	1450	571	72%	-770
2036	2900	1450	593	70%	-860

Note: Future household numbers (2015, 2020, 2025, 2030, 2035) based on averaging .id forecast (2014 review) and VIF (2014 update) figures for projected households.

*Low household income based on *equivalised* household income – adjusted using equivalence factors to remove the effect of household size on income. 'Need' is defined as very low income households -in the lowest 10%of equivalised household incomes (nationally) – that *do not own their own home*.

**Latest available data @ September 2014 (DHS Summary of Housing Assistance Programs 2011-12). Note: 1119 dwellings reported in 2011 Census data.

***Affordable private letting calculation over time based on assumption that 15%of housing stock in Knox is private rental stock (as per findings at the 2011 Census¹²) of which 5.6% would be affordable to low-income households (based on a *two year average* of affordable rentals as a percentage of all rentals in Knox, June quarter 2012 to March quarter 2014 – the latest available data at time of preparation of the social housing shortfall calculation, August, 2014).

Strategic Investigation Sites (SISs) and potential social housing opportunities

Council is able to negotiate with private developers on a voluntary, site-by-site basis for the inclusion of social housing in residential developments. To date, Council has had moderate success in negotiating a social housing contribution, with 3% social housing provision included at the former Austral Bricks redevelopment site in Wantirna South. Council has also agreed to include provision for at least 5% social housing at the Council-owned, Stamford Park site. There may be other opportunities for Council to negotiate social housing outcomes at other sites in Knox.

The *Knox Housing Strategy 2015* identifies 14 Strategic Investigation Sites. These are sites where the current land use is likely to change in the short to medium-term and may be suitable for future residential development. This includes quarries that are no longer operational, former school sites and golf courses.

An analysis of Forecast id (2014) data provides some insights into the possibility of boosting social housing supply by 2036 through the development of Strategic Investigation Sites. If, for example, 5% of all housing built on Strategic Investigation Sites was social housing, 171 additional dwellings would be built. This is well under the 860 minimum supply of social housing target proposed by Council. Even if 5% of all new housing built in Knox was social housing (794 houses), we would still be under-target. This would be an impractical option anyway, because the majority of

¹² 2011 Census, Renting – Private (14.8%) Renting – Not stated (0.3%). This figure *excludes* Renting – Social housing which is accounted for under number of social housing units in the previous column.

this development comprises in-fill sites (dual occupancies etc.) which are too small to viably include social housing.

Possible social housing opportunities in Knox, 2014-2036

	Strategic Investigation Sites		All Knox residential development	
No. of new dwellings forecast to 2036	3,403		15,870	
% of additional social housing dwellings forecast to 2036	5%	3%	5%	3%
No. of additional social housing dwellings forecast to 2036 (3% and 5%)	170	102	794	476
Minimum supply of social housing target to 2036 – 860 dwellings				
% of additional social housing dwellings needed to achieve minimum supply target	25% of Strategic Investigation Sites		5.5% of all residential development	

Source: Forecast id 2014

Council will continue its Housing Monitoring Program to understand the housing needs in Knox, including for low and moderate income households, and measure changes in the supply of social housing.

Dispersed approach to affordable and social housing in Knox

Council supports affordable and social housing that is dispersed across the municipality, rather than concentrated in particular areas. This ensures that affordable housing is available across the entire municipality and responds to the diverse needs of the Knox population. Council’s planning principles will also be utilised on a case-by-case basis to ensure that social housing is well-located on larger development sites.

Council’s ongoing advocacy role

Council has actively advocated for an increased supply of social and affordable housing in Knox through ongoing dialogue with key State Government representatives, social housing providers, community groups, private developers and other stakeholders.

In 2009 Council led the establishment of the Eastern Affordable Housing Alliance (EAHA), which comprises local governments from the Eastern Metropolitan Region, and has remained an active member ever since. The EAHA’s role is to:

- Represent the affordable housing needs and priorities of the region and significant parts of it;
- Advocate for improvements in housing affordability that generally have region-wide benefits;
- Advocate to State and Federal governments and other appropriate parties for increases in affordable housing supply, finance and housing subsidies;
- Work cooperatively with Councils, governments, statutory planning authorities, registered housing associations and other stakeholders as needed; and

- Encourage and maintain a democratic and consultative decision-making process in determining affordable housing needs and Alliance activities, in conjunction with State and Federal governments and including community participation.

Council's commitment to the EAHA recognises the intrinsic benefits of collaborating with partners to advocate for an increased supply of social and affordable housing in Knox to meet current and forecast needs. Council will strengthen its approach to joint advocacy through this Action Plan.

3. Factors that influence housing affordability and supply in Australia

Housing affordability dynamics in Australia

Supply and demand

Housing affordability and the residential housing market are influenced by many factors that are beyond the control of local councils. Supply and demand drives housing availability and affordability. Australia has very high demand for housing arising from such things as population growth. Supply challenges such as a shortage of available land also exist, due, in part, to policies which seek to minimise urban sprawl of cities. Commonwealth and State Government policies and legislation (for example, tax laws that favour property speculation and foreign property ownership laws etc.) also influence supply and demand.

Population growth

Australia's population is increasing. Like other municipalities across the country, Knox's population is also growing. The City of Knox population forecast for 2015 is 157,580, and will grow to 184,821 by 2036 – an additional 27,241 people (Forecast id, 2014). This will require a significant increase in housing supply and choice if the housing needs of these people are to be met.

Land availability

There is a shortage of green-field sites in Knox, with future demand expected to be met through brown-field and in-fill development. The *Knox Housing Strategy 2015* identifies 14 Strategic Investigation Sites. These are sites where the current land use is likely to change in the short to medium-term and may be suitable for future residential development. This includes quarries that are no longer operational, former school sites and golf courses. It is forecast that up to 15,870 new dwellings may be built in Knox by 2036¹³ (assessment using Forecast id, 2014 figures). It is unclear how many of these will be affordable for households on low to medium incomes.

Negative gearing of residential property

A contributing factor to Australia's affordable housing problem is an instrument called 'negative gearing' which, arguably, has increased demand for residential housing, raised prices and pitched owner-occupier purchasers (including first-home buyers) and investors against each other.

Negative gearing is often utilised when income from renting an investment property is less than the costs of the investment (including interest charged on borrowings and other expenses)¹⁴. In Australia, losses from a negatively geared investment are tax-deductible against other taxable personal income. Investors seek to sell their investment property for a price that compensates them for any losses incurred during ownership. Tax is payable on any capital gain arising from the sale of the property, however, this is discounted by 50%, if the investment is held for at least a year.

¹³ If all available sites were fully developed.

¹⁴ Negative gearing in Australia applies to losses on all income-producing assets, not just property, which can be offset against investors' personal income. Australia is one of only a few countries in the world that allow this.

Kelly (2013) argues that ‘policies that favour investors, such as negative gearing, increase demand for property and push up prices while doing little to increase supply’. The Financial Stability Review conducted by the Reserve Bank of Australia (September 2014) indicates a clear relationship between investor activity in the housing market and increases in property prices. The Review shows that 40% of housing loan approvals involved investors – the highest in 10 years. Also, 1.3 million taxpayers reported investment losses on average of \$11,000 in the 2011-12 year (Australian Tax Office, 2014), which is about two-thirds of all investment property owners.

The opinion that negative gearing of property investment helps to increase the stock of residential housing and supply of affordable rental properties has been discredited. Data shows that investors primarily buy established houses, which does little to increase housing stock overall (Kelly 2013). Furthermore, when the Hawke government restricted negative gearing for two years in the mid-1980s, rents did not rise across Australia, except in Sydney and Perth which had unusually low vacancy rates to start with, indicating that negative gearing does not significantly contribute to improving rental availability and costs (Eslake, 2014).

Foreign ownership

Australian real estate has been a popular choice for overseas investors, although it is not known exactly how many foreign nationals own residential property. Laws that prohibit overseas investors from purchasing *existing* residential real estate have not been properly enforced to date in Australia which, arguably, has raised demand for residential property and driven up prices.

The Prime Minister has confirmed that ‘a lack of compliance and enforcement of the rules over recent years is threatening the integrity of the (foreign investment) framework’ (February, 2015). Accordingly, the Commonwealth Government has proposed a strengthening of Australia’s foreign investment framework for residential real estate by introducing fees to foreign nationals buying *new* residential property, as well as fines for those who break foreign investment laws. The Government also plans to establish a register of foreign nationals buying real estate. This strengthened approach is aimed at improving housing affordability, amongst other things (Prime Minister of Australia, 2015).

Examples of approaches to increase the supply of affordable and social housing in Australia

There are a number of models utilised in some areas across Australia to increase the supply of affordable and/or social housing.

Defence Housing Australia (DHA) successfully supplies Defence members and their families across Australia with quality, affordable rental housing. Established in 1988, DHA is one of the largest residential property and tenancy managers in Australia, with 18,577 properties under management worth approximately \$10 billion. DHA buys and constructs properties with assistance from the private sector and purchases new and established properties as required. Each year, DHA sells a portion of its

property portfolio to investors through its property investment and leaseback program. This program enables property investors to purchase dwellings from DHA, which are leased back for an agreed period by DHA and, subsequently, offered to Defence members at affordable rents. Revenue generated from this activity is DHAs primary source of capital which funds its operations. Approximately 13,000 properties are managed on behalf of investors with whom DHA has a lease arrangement. In this model, investors benefit from DHAs property expertise, including property maintenance and tenancy management, and the security of lease arrangements which ensures a reliable return for property investors (Defence Housing Australia, 2015).

Examples of programs operating at a State level include:

- The Housing Plan for South Australia (2005) has a legislative, 'inclusionary zoning' arrangement which sets a target for 15% of housing in all new significant developments to be affordable. The implementation of the 15% is focussed on government land, declared major developments and significant rezonings or changes in use to residential from non-residential uses. The affordable homes are then offered to eligible buyers through the Affordable Homes Program. Ongoing data for the program is limited, however, 160 affordable homes were supplied in the first five months and 400 homes across the State were expected to be supplied per annum (Department of Families and Communities, 2010).
- In Queensland, the Urban Land Development Authority's (ULDA) *Housing Affordability Strategy (2009)* sets an affordable housing target for a minimum of 15% of all dwellings developed across the Urban Development Areas to be affordable to people on low to moderate incomes (Urban Land Development Authority, 2009).

At the local level, several local governments in New South Wales have arrangements which support the supply of affordable housing:

- Willoughby City Council in Sydney's north has developed a mandatory scheme to collect developer contributions for affordable housing. The scheme, which is enforced through the *Willoughby Local Environmental Plan 2012*, requires that 4% of total floor space of new dwellings within identified Willoughby Local Housing Precincts is to be provided as affordable housing (Willoughby City Council, 2015).
- Waverley Council in Sydney's east developed the *Affordable Housing Program* in 2006, a voluntary scheme which offers developers a floor space ratio bonus or a larger building envelope if a proportion of the additional units provided are affordable. Waverley Council appointed Bridge Housing to manage the affordable housing resultant from the program, which is expected to grow to 50 units by 2015 (Bridge Housing, 2014).

4. Council's role

Council's affordable housing aspirations are identified in the Knox Vision: Our City, Our Future, the Knox City Plan 2013-17, the Knox Community Health and Wellbeing Strategy 2013-17 and the Knox Housing Strategy 2015.

The Knox City Plan's affordable housing related objective (3.1) states that:

The changing needs of a diverse community are supported through planned growth and change in housing and infrastructure that respects both built form and natural systems, as well as resource availability.

The Knox Community Health and Wellbeing Strategy¹⁵ confirms that **housing affordability and choice** are significant community health and wellbeing issues in Knox. It identifies housing affordability and choice as one of its eight priorities and describes the *desired outcome* of our collective intervention as:

People in Knox have access to affordable, appropriate housing close to services and facilities.

Three *key strategies* are set out in the Strategy to achieve this, two of which are also City Plan strategies.

1. A diversity of housing choice is provided in appropriate locations that meets the accessibility, sustainability and affordability needs of the community.

(Knox Community Health and Wellbeing Strategy key strategy 18 and City Plan strategy 3.1.1)

2. Implement measures to raise the community's awareness of the health and wellbeing benefits of a diverse housing stock in Knox.

(Knox Community Health and Wellbeing Strategy key strategy 19)

3. Implement programs and policies to ensure that residential development better responds to the community's current and future needs, and allows people to 'age-in-place'.

(Knox Community Health and Wellbeing Strategy key strategy 20 and City Plan strategy 3.1.2)

The Knox Housing Strategy 2015 also states that 'Council has roles to play as a **planner, provider, partner and advocate** in increasing housing affordability in Knox.'

¹⁵ The priorities and strategies from the Community Health and Wellbeing Strategy 2013-17 will be incorporated into the Integrated City Strategy and Implementation Plan 2015-17.

Roles that Council can play as planner, provider, partner and advocate are set out below.

As a Planner

Use Council's social, strategic and statutory planning processes to inform decision making about affordable and social housing.

- Supporting Council's aspirations for affordable housing within the City of Knox, through the development of land use strategies and policies
- Fulfilling statutory responsibilities, mainly planning, building and environmental controls, that affect the location, density, form and quality of housing
- Participating in service coordination, networking, social policy development, research and analysis

As a Provider

Support individuals and households experiencing housing affordability challenges and housing stress in accordance with Council's role.

- Providing services/programs to people or households within the municipality, for example, funding for financial counselling and Home and Community Care services.

As a Partner

Develop constructive partnerships to increase the supply of affordable housing in Knox.

- Continuing to work in partnership and support local agencies involved in social housing
- Collaborating with the community/registered housing sector or developers to encourage development opportunities that create affordable and social housing outcomes

As an Advocate

Raise awareness of the need for an increase in the supply of affordable housing in Knox and adequate support and resources for community and public housing tenants.

- Recognising the role and responsibilities of the Commonwealth and State Governments as public and community housing funding bodies and policy decision makers and continue to advocate for funding and policy initiatives that facilitate social and affordable housing
- Identifying and advocating for the needs of the community to all levels of government and private industry

5. Action Plan

The Action Plan responds to the three key strategies identified in the Knox Community Health and Wellbeing Strategy 2013-17. It outlines clear objectives, actions, proposed outcomes, Council's role, timelines and costs to achieve Council's desired outcome of 'people in Knox have access to affordable, appropriate housing close to services and facilities'.

Strategy 1: A diversity of housing choice is provided in appropriate locations that meets the accessibility, sustainability and affordability needs of the community.

(Knox Community Health and Wellbeing Strategy key strategy 18 & City Plan strategy 3.1.1)

Influencing strategic plans and policies	City Plan 2013-17 Knox Community Health and Wellbeing Strategy 2013-17 (Strategy 18) Knox Housing Strategy 2015				
Objective	Actions	Outcomes	Council's role	Timelines	Cost
1.1 Establish partnerships with Registered Housing Associations for the municipality.	Develop relationships between Knox City Council and Registered Housing Associations that operate in Knox – and referral protocols developed as required.	Social housing clients referred to Registered Housing Associations by Knox City Council are treated fairly and in accordance with relevant referral procedures and protocols.	Partner	Ongoing	Within current resources
	Ensure that a Registered Housing Association that operates in Knox participates in the Knox Affordable Housing Reference Group.	The Council is aware of issues affecting Registered Housing Associations.	Partner	Ongoing	Current resources
	Advise Registered Housing Associations of the minimum supply of social housing	Registered Housing			

	needed in Knox.	Associations are aware of the number of additional social housing dwellings required to meet a minimum demand/need for social housing in Knox.	Partner	2015 – ongoing	Current resources
	Advocate to Registered Housing Associations to enable more social housing development in Knox.	Registered Housing Associations are aware of the benefits of developing social housing in Knox.	Partner	2015 – ongoing	Current resources
1.2 Support the work of local housing support agencies.	Enable housing support agencies to be represented at the Knox Affordable Housing Advisory Committee.	Local housing support agencies' capacity and knowledge of social/affordable housing is strengthened through input from Council.	Partner	Ongoing	Current resources
	Participate in relevant social/affordable housing research and community education projects.		Partner	Ongoing	Current resources
1.3 Work in partnership to improve outcomes for low-income individuals and families seeking housing and housing support.	Host the Knox Affordable Housing Advisory Committee 4 times per year.	Members of the Advisory Committee network with each other, share information about affordable housing programs in Knox and advise Council of relevant affordable housing issues.	Partner	Ongoing	Current resources

1.4 Identify appropriate areas for higher density housing that can provide a greater diversity of housing choices	<p>Implement a scaled ¹⁶approach to housing development through the Knox Housing Strategy 2015 that encourages higher density housing in areas with good access to transport, shopping, and services</p>	<p>Residential zoning and other planning controls provides clear guidance for where higher density housing is supported and where it is not</p>	<p>Planner</p>	<p>2015 – ongoing</p>	<p>Current Resources</p>
	<p>Ensure that the need for affordable/social housing is considered and addressed in the development of structure plans and other place-based strategic plans for Activity Centres and Strategic Investigation Sites which have been identified as appropriate areas to support medium density, higher density housing and social housing options (i.e. Boronia, Bayswater, Rowville, Ferntree Gully, Upper Ferntree Gully, Knox Central)</p>	<p>Additional guidance on built form and housing types is in place to guide residential development in areas where greater housing diversity is expected</p>	<p>Planner</p>	<p>Ongoing</p>	<p>Current resources and additional funding options</p>

¹⁶ Council’s ‘scaled’ approach to housing identifies the role that different areas in Knox will play in the provision of new housing and sets out the preferred types of housing for each different area.

Strategy 2: Implement measures to raise the community's awareness of the health and wellbeing benefits of a diverse housing stock in Knox.

(Knox Community Health and Wellbeing Strategy key strategy 19)

Influencing strategic plans and policies	Knox Community Health and Wellbeing Strategy 2013-17 (Key strategy 19) Knox Housing Strategy 2015				
Objective	Actions	Outcomes	Council's role	Timelines	Cost
2.1 Define a minimum supply of social housing for Knox.	Update the minimum supply number, which is identified in the <i>Defining affordable housing and a minimum supply of social housing for Knox</i> paper (supported by Council at the 24.1.12 Council Meeting), as new data becomes available.	Minimum supply number is updated in accordance with new data.	Planner	2015 – then ongoing	Current resources
	Include definitions of affordable and social housing (in the <i>Defining affordable housing and a minimum supply of social housing for Knox</i> – endorsed at 24.1.12 Council Meeting) in the Knox Affordable Housing Action Plan, Knox Housing Strategy 2015, MSS and Sale of Council Land and Buildings Policy.	There is a cross-organisational Council agreement and understanding of the definition of affordable and social housing.	Planner	2015	Current resources

<p>2.2 Advocate for the provision of affordable/social housing and support services that meet the needs of current and future residents.</p>	<p>Advocate for an increased supply of affordable and social housing in Knox by participating in the Eastern Affordable Housing Alliance to:</p> <ul style="list-style-type: none"> • Represent the affordable housing needs and priorities of the region and significant parts of it; • Advocate for improvements in housing affordability that generally have region-wide benefits; • Advocate to State and Federal governments and other appropriate parties for increases in affordable housing supply, finance and housing subsidies; • Work cooperatively with Councils, governments, statutory planning authorities, registered housing associations and other stakeholders as needed; and • Encourage and maintain a democratic and consultative decision-making process in determining affordable housing needs and Alliance activities, in conjunction with State and Federal governments and including community participation. 	<p>Opportunities to increase the supply of affordable and social housing in the region are maximised.</p>	<p>Advocate</p>	<p>Quarterly meetings</p>	<p>Current resources</p>
	<p>Respond to relevant Federal and State Government reviews and inquiries in relation to affordable and social housing.</p>	<p>Victorian State Planning Policy Framework section of the Planning Scheme and other legislation strengthens local government's role in affordable housing.</p>	<p>Advocate and partner</p>	<p>As relevant reviews/ inquiries arise</p>	<p>Current resources</p>
	<p>Engage with the State and Federal Government to explore ways to maximise opportunities for social and affordable housing in Knox.</p>	<p>Affordable/social housing benefits realised in Knox.</p>	<p>Advocate and partner</p>	<p>Ongoing</p>	<p>Current resources</p>
	<p>Advocate to the Victorian Government to introduce the tools and supporting legislation that would enable local government to require certain levels of social and/or affordable housing in some developments¹⁷.</p>	<p>State government is aware of Council's position on inclusionary zoning.</p>	<p>Advocate</p>	<p>2016</p>	<p>Current resources</p>
		<p>State government supports inclusionary zoning as a mechanism to increase the supply of affordable housing in Knox.</p>	<p>Advocate</p>	<p>2018 – ongoing</p>	<p>Current resources</p>

¹⁷ Council intends to undertake further analysis of this issue to clearly define the types of developments that may warrant the inclusion of social and/or affordable housing.

Engage the community and other stakeholders about issues associated with affordable housing.	Advise relevant local community organisation of the Knox Affordable Housing Action Plan and make publicly available information from the Knox Affordable Housing Advisory Committee on the Knox City Council website.	Knox community and stakeholders are aware of Knox Affordable Housing Action Plan.	Advocate	2015 – then ongoing	Current resources
	Raise the community's awareness of the need for greater diversity and affordability in housing and counter poor perceptions of affordable and social housing.	Knox community are aware of the social and economic benefits of an adequate supply of affordable and social housing in Knox.	Advocate	2015 – then ongoing	Current resources
	Discuss issues associated with affordable housing in the community engagement of structure plans and other place-based strategic plans for Activity Centres and Strategic Investigation Sites to ensure the community understands the housing affordability challenges in Knox.	The guidance contained in place strategies is informed by a robust community discussion of important issues related to housing	Planner	Ongoing	Current and future resources on a place-specific basis

Strategy 3– Implement programs and policies to ensure that residential development better responds to the community’s current and future needs, and allows people to ‘age-in-place’.

(Knox Community Health and Wellbeing Strategy key strategy 20 & City Plan strategy 3.1.2)

Influencing strategic plans and policies	City Plan 2013-17 Knox Community Health and Wellbeing Strategy 2013-17 (Strategy 20)				
Objective	Actions	Outcomes	Council’s role	Timelines	Cost
3.1 Affordable and social housing planning is informed by relevant stakeholders and accurate data	Host the Knox Affordable Housing Advisory Committee in accordance with the terms of reference.	Knox City Council is informed of affordable and social housing issues.	Planner	Ongoing	Current resources
	Develop and update the Knox Affordable Housing Profile as new data becomes available to support evidence-based decision making.	Effective evidenced-based affordable housing planning.	Planner	Ongoing	Current resources
3.2 Measure the effectiveness of the Knox Affordable Housing Plan in improving the profile of affordable housing in Knox.	Assess outputs on an annual basis to monitor the progress of the Action Plan. Assess outcomes at the end of the period of the Action Plan to measure its effectiveness.	Action objectives and outcomes of the Action Plan are achieved.	Planner	Monitoring annually Evaluation at the end of the period of the Action Plan	Current resources
3.3 Exercise planning powers to support the development of affordable housing.	Promote diverse and affordable housing options as an appropriate outcome of structure plans, Strategic Investigation Sites and other new residential developments and advise developers of the role of Registered Housing Associations and provide contact details as appropriate.	Urban planners advise developers (on a case-by-case basis) of the role of Registered Housing Associations and provide contact details.	Planner	Ongoing – on a case-by-case basis	Current resources

	<p>Negotiate with developers (on a case-by-case basis) for a voluntary 5% contribution of social housing in larger-scale¹⁸ private land developments, including Strategic Investigation Sites.</p>	<p>Urban planners discuss with developers possible voluntary contributions to affordable housing in large scale private land developments.</p>	<p>Planner</p>	<p>Ongoing – on a case-by-case basis</p>	<p>Current resources</p>
	<p>Advise commercial, community and public developers of the social housing minimum supply targets for Knox and advocate for more social housing to respond to identified need.</p>	<p>Developers are aware of the social housing targets for Knox and supply is increased.</p>	<p>Planner</p>	<p>Ongoing – on a case-by-case basis</p>	<p>Current resources</p>
	<p>Advise commercial developers of the need for greater housing diversity in Knox (particularly the provision of affordable, smaller, well-designed dwellings that are located close to services and facilities) and advocate for the development of a diverse range of housing types and sizes in Knox.</p>	<p>Developers are aware of the housing choice deficit in Knox and respond by developing a diverse range of housing types and sizes.</p>	<p>Planner</p>	<p>Ongoing – on a case-by-case basis</p>	<p>Current resources</p>
	<p>Introduce obligatory contributions to affordable housing on larger-scale development through inclusionary zoning if/when the Victorian Government provides legislative support for such measures.</p>	<p>Housing is available to purchase and rent at a range of affordable price points in Knox.</p> <p>Knox Planning Scheme is amended to include obligatory contributions to affordable housing on large scale developments (subject to Victorian Government legislative</p>	<p>Planner</p>	<p>2019</p>	<p>Subject to additional resources</p>

¹⁸ Council intends to undertake further analysis to clearly define a 'larger-scale' site.

	Advise developers of Council's preference for <i>dispersed</i> affordable and social housing in Knox.	support for such measures). Affordable and social housing will be dispersed across the municipality, rather than concentrated in particular areas.	Planner	Ongoing	Current resources
3.4 Council's policies and processes support the development of affordable/social housing.	Ensure the policy on the disposal of Council land enables affordable/social housing outcomes for sites suitable for residential development in line with the requirements of the Local Government Act.	Policy on disposal of Council land is monitored and reviewed to ensure social housing objectives are best met.	Planner	When land-use policy is reviewed	Current resources
	Provide for at least 5% social housing at Stamford Park and other Council-owned sites in Knox.	Social housing stock is increased in Knox.	Planner	When site is fully developed	Current resources
	Continue the Housing Monitoring Program to understand the housing needs in Knox and measure changes in the supply of social housing.	Council will understand the changing housing needs of Knox and the extent of changes in the supply of social housing.	Planner	Ongoing	Current resources
3.5 Support older people and people with disabilities to remain in their own home or to find affordable alternatives.	Provide Home and Community Care Services ¹⁹ including the provision of housing support and information on available programs and services that enable people to remain in their own home or find affordable alternatives.	Older people and people with a disability at risk of becoming homeless are able to remain in their own/existing home or find affordable alternatives.	Provider	Ongoing	Current resources
	Implement relevant Knox Healthy Ageing Plan actions.		Provider	Ongoing	Current resources

¹⁹ The Home and Community Care Service is currently under review. This Action will be subject to the outcomes of this review.

	Implement relevant Knox Access and Inclusion Plan actions.		Provider	Ongoing	Current resources
3.6 Assist people experiencing housing stress.	Fund financial counselling sessions for people experiencing housing stress.	Housing stress is mitigated through access to effective financial advice and rate repayment plans as required.	Provider	Ongoing	Current resources
	Enable the availability of rate repayment plans for people experiencing housing stress.		Provider	Ongoing	Current resources
	Refer people to housing information and support services in Knox.		Provider	Ongoing	Current resources
3.7 Provide access to funding for community groups and local agencies to address housing related issues.	Enable social housing providers and residents to apply for funding from the Community Development Fund to support local social housing projects and events.	Housing related issues in Knox are addressed in a locally relevant and responsive manner.	Provider	Ongoing	Current resources

6. Evaluating changes in housing affordability

Housing affordability indicators

The range of housing affordability measures identified in the *Housing data* section of this Action Plan have been assessed to determine a suite of population-level indicators that will be utilised to monitor housing affordability and choice changes in Knox over the life of the Action Plan. The following table presents the housing affordability indicators and baseline data²⁰.

Desired outcome	People in Knox have access to affordable, appropriate housing close to services and facilities.		
How will we measure changes in housing affordability and choice?		Baseline data	
Indicator/s	Measures	Knox	Metro
Housing affordability	% of <i>low income</i> households in the bottom 40% of the national income distribution, paying 30%+ of usual gross weekly income on housing costs (mortgage or rent) (ABS, 2011)	9.0	10.7
	% of private rental housing that is affordable for lower income households receiving a Centrelink benefit (Office of Housing, Rental Report, June quarter, 2012)	5.6	10.3
Housing choice	Social housing rental dwellings as % of total private dwellings (ABS, 2011)	2.1	2.9
	% housing that is medium or high density (ABS, 2011)	13.1	28.3

²⁰ Taken from the Knox Community Health and Wellbeing Strategy 2013-17

7. What's behind this Action Plan

Affordable housing policy framework and key initiatives

Council has adopted a hierarchical approach to its planning to ensure that all policies and plans are informed by higher-order decisions and directions. Accordingly, this Action Plan has been guided by higher-order plans and strategies including the Knox Vision: Our City, Our Future, the Knox City Plan 2013-17, the Knox Community Health and Wellbeing Strategy 2013-17 and the Knox Housing Strategy 2015. Furthermore, this Action Plan has taken regard of lower-order plans, policies and initiatives to achieve strong overall alignment. The following table sets out Council's policies, plans and initiatives that have informed and driven Council's affordable housing goals.

Policy, plan or initiative	Description
<p><i>Knox Vision: Our City, Our Future and City Plan 2013-17</i></p>	<p>The Knox Vision shows what the future of Knox could and should look like, while the City Plan guides how to get there. In particular, the City Plan takes the high-level, long-term goals contained in the Knox Vision and makes it a reality in the short to medium term.</p> <p>The City Plan sets out a range of objectives, strategies and indicators to inform the development of lower-order strategies and plans.</p> <p>This Action Plan will play a major role in implementing the City Plan strategies 3.1.1 and 3.1.2, which are also included in the Knox Community Health and Wellbeing Strategy through key strategies 18 and 20.</p>
<p><i>Knox Community Health and Wellbeing Strategy 2013-17</i></p>	<p>The Knox Community Health and Wellbeing Strategy 2013-17 (the Strategy) is one of Council's strategic implementation plans and, accordingly, aligns with the Knox Vision and City Plan themes and objectives. In particular, it identifies <i>housing affordability and choice</i> as one of its eight priorities. Housing affordability and choice includes such things as house purchase prices, rental cost and housing stress²¹, and diversity of housing types and locations.</p> <p>The Strategy's housing affordability and choice <i>desired outcome</i> is: 'People in Knox have access to affordable, appropriate housing close to services and facilities'. Three <i>key strategies</i> are identified to achieve this:</p> <ol style="list-style-type: none"> 1. A diversity of housing choice is provided in appropriate locations that meets the accessibility, sustainability and affordability needs of the community (key strategy 18). 2. Implement measures to raise the community's awareness of the health and wellbeing benefits of a diverse housing stock in Knox (key strategy 19). 3. *Implement programs and policies to ensure that residential

	<p>development better responds to the community's current and future needs, and allows people to 'age-in-place' (key strategy 20).</p> <p>Population-level indicators that seek to measure changes in housing affordability and choice are also set out in the Strategy. Refer to page 18 of this Action Plan for the housing affordability and choice population-level indicators.</p>
<i>Knox Housing Strategy 2015</i>	<p>The Knox Housing Strategy 2015 aligns with the Knox Vision and City Plan themes and objectives. In particular, it sets out Council's plan for managing residential development to respond to the current and future needs of the Knox community. In particular, it outlines and considers the current housing situation in Knox, community views concerning housing which were identified in the Knox@50 project, the factors that drive residential development and strategies to respond to the housing challenges and opportunities facing the Knox community.</p> <p>It also contributes to the policy framework for the Knox Affordable Housing Action Plan which drives activities to increase the supply of affordable housing in the City of Knox. In particular, the Strategy states that</p> <p style="padding-left: 40px;">'Council does have roles to play as a planner, provider, partner and advocate²² in increasing housing affordability in Knox'.</p>
<i>Knox Affordable Housing Action Plan 2007-12</i>	<p>Council's first Action Plan was developed in 2007 comprising action objectives, outputs, outcomes and timelines to increase housing affordability in Knox in accordance with Council's role as planner, provider, partner and advocate. Between 2007 and 2012 a number of substantial affordable housing achievements occurred including the development of over 150 new social housing dwellings (through Economic Stimulus funding), development of positive relationships with registered housing associations and completion of three important pieces of research to strengthen Council's understanding of housing affordability and possible methods to enhance it in Knox.</p> <p>Council's commitment in December 2008 to a strengthened approach to increase the availability of affordable/social housing in Knox provided a mandate to revise this Action Plan.</p>
<i>Knox Affordable Housing Reference Group</i> ²³	<p>Established by Council in 2007 to: provide overall strategic input into the development, implementation, monitoring and ongoing refinement of the Knox Affordable Housing Action Plan; and collaborate and partner with relevant organisations to develop and implement common strategies to increase the availability of affordable housing in Knox.</p>
<i>Council resolution to strengthen the</i>	<p>On 5 December 2008 Council gave in-principle support to strengthen its approach to increasing the availability of affordable/social housing in Knox as proposed by the Knox Affordable Housing Reference Group.</p>

²² Bold added.

²³ To be referred to as the Knox Affordable Housing Advisory Committee from 2015.

<i>approach to affordable housing</i>	On 28 September 2010, Council endorsed a range of additional strategies and actions to strengthen Council's approach to affordable housing.
<i>Member of the Eastern Affordable Housing Alliance</i> <i>(comprises the seven eastern metropolitan Councils)</i>	Established in April 2010 to: <ul style="list-style-type: none"> • Represent the affordable housing needs and priorities of the region and significant parts of it; • Advocate for improvements in housing affordability that generally have region-wide benefits; • Advocate to State and Federal governments and other appropriate parties for increases in affordable housing supply, finance and housing subsidies; • Work cooperatively with Councils, governments, statutory planning authorities, registered housing associations and other stakeholders as needed; and • Encourage and maintain a democratic and consultative decision-making process in determining affordable housing needs and Alliance activities, in conjunction with State and Federal governments and including community participation.
<i>Knox Planning Scheme</i>	State and local sections of the Planning Scheme encourage provision of affordable housing, e.g. through a greater variety of housing types and sizes and a greater supply of social housing. There is no ability to specify mandatory requirements for affordable and/or social housing.
<i>Structure Plans for activity centres</i>	Most Structure Plans for Knox's Activity Centres contain objectives to increase the supply of affordable housing within centres; some identify specific sites considered suitable for affordable and/or social housing.
<i>Sale of Land and Buildings policy</i>	The policy includes a social component, which seeks to weight decisions concerning the sale of Council's land and buildings in accordance with its social agenda and policies.

Council's affordable housing research

Three key pieces of research were particularly useful in informing the development of this Action Plan.

- **Towards an affordable housing growth strategy for the City of Knox (Bisset, 2008)**
This significant piece of affordable housing research proposed that Knox City Council expand its role beyond the parameters of the Knox Affordable Housing Action Plan 2007-12 and assume a greater responsibility for the provision of affordable and social housing through partnerships with registered housing associations. Council gave in-principle support to a strengthened approach in 2008 and endorsed a range of strategies and actions in 2010.
- **Defining affordable housing and a minimum supply of social housing for Knox (2011)**

In 2011 Council conducted a study to identify the minimum supply of social housing in Knox, which revealed that at least 700 additional social housing dwellings were needed by 2030. This work considered the needs of non-home-owning households in the lowest 10 % of household incomes in Knox (equivalised data, nationally calculated), but also took account of the availability of affordable private lettings. The study endorsed Council's focus on increasing the supply of social housing in Knox, as it provides for the most vulnerable and disadvantaged households in greatest need. It also argued that Council is better positioned to influence social housing supply through partnerships with social housing providers (community-based organisations and government). It noted that the primary means of influencing private development, the Victorian planning system, does not allow Council to require private developers to make a contribution to affordable and/or social housing. Therefore, increasing the supply of affordable private dwellings continues to involve negotiation with individual private developers.

- **Knox Affordable Housing Profile (2014)**

The Profile provides a comprehensive analysis of affordable housing issues in Knox from a range of reliable quantitative sources. The key issues arising in the Profile include:

- There is a decline in the proportion of (all) Knox households paying off a home that are suffering from mortgage stress;
- But mortgage stress is **increasing** among lower income households;
- More households that rent are suffering housing stress;
- But rental stress among lower income households is lower in Knox than the average;
- Though rental stress among low income households is higher than the Melbourne average in some Knox suburbs;
- Overall housing stress, whether due to mortgage or rent, is increasing for all households, including lower income households;
- Home purchase is no longer affordable for a typical Knox household;
- The availability of affordable rental housing in Knox is in **decline**;
- And growth in availability of social housing in Knox has been negligible;
- There has been stagnation of housing choice in the last 5 years.

The data measures and sources for these issues are documented in more detail in the 'Housing data' section below.

Housing data

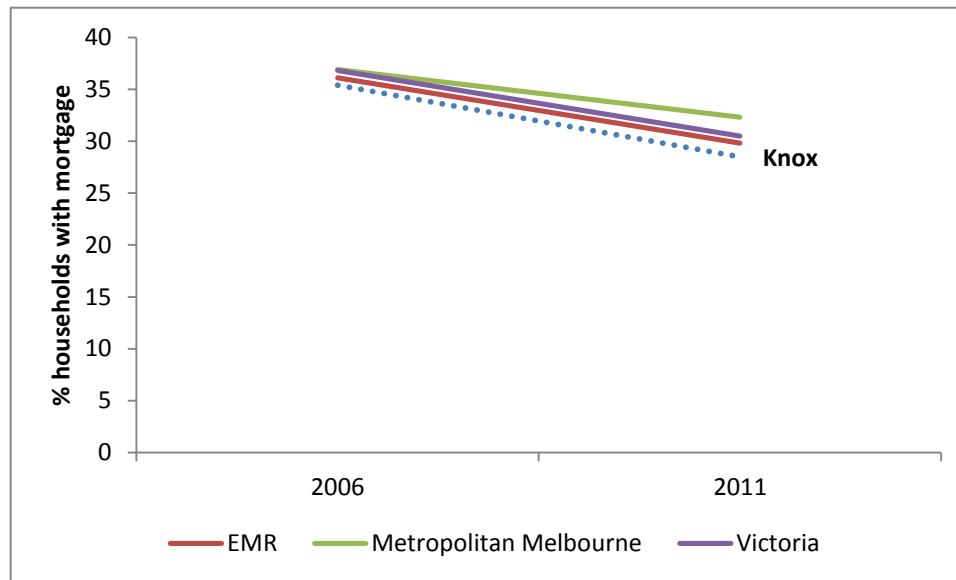
Housing represents the largest share of household budgets and thus, housing affordability and housing choice are major determinants of both the cost of living and the standard of living. The following section presents the latest key data on housing affordability and housing choice.

Housing affordability data

There is a decline in the proportion of (all) Knox households paying off a home that are suffering from mortgage stress.

Measure: % households paying 30%+ of usual gross weekly income on mortgage repayments.
(ABS Census)

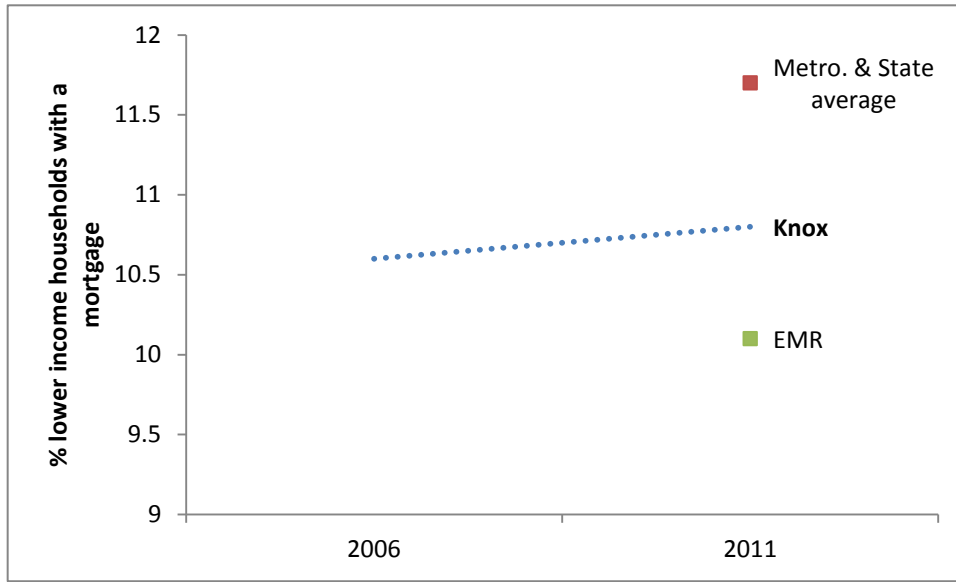
Households paying 30%+ of usual gross weekly income on mortgage repayments, 2006-2011



However mortgage stress is increasing among lower income households.

Measure: % *low income* households in the bottom 40% of the national income distribution, paying 30%+ of usual gross weekly income on mortgage repayments. (ABS Census)

Lower income households paying 30%+ of usual gross weekly income on mortgage repayments, 2006-2011

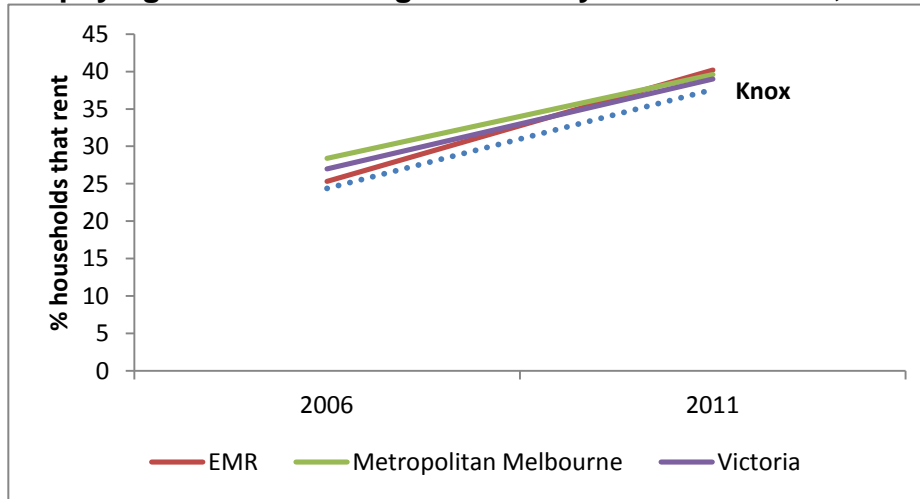


- The number of lower income households in mortgage stress increased from 2,101 households in 2006 to 2,520 households in 2011.
- Mortgage stress was higher than the metropolitan & state average in Bayswater (13.8%) and at metropolitan & state level in Rowville Central and Wantirna South.

More households that rent are suffering housing stress.

Measure: % of households paying 30%+ of usual gross weekly income on rental payments. (ABS Census)

Households paying 30%+ of usual gross weekly income on rent, 2006-2011

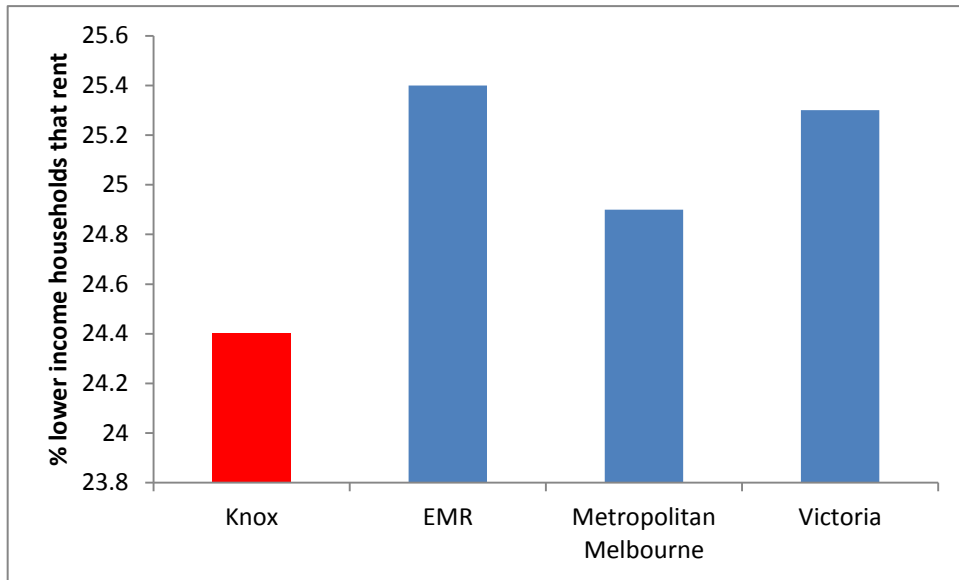


- The rate of rental stress has increased markedly in the past five years, particularly among lone person households. This is likely to reflect the sharp decrease in availability of affordable rentals and rapid increase in rents over the same period.

But rental stress among lower income households is lower in Knox than the average.

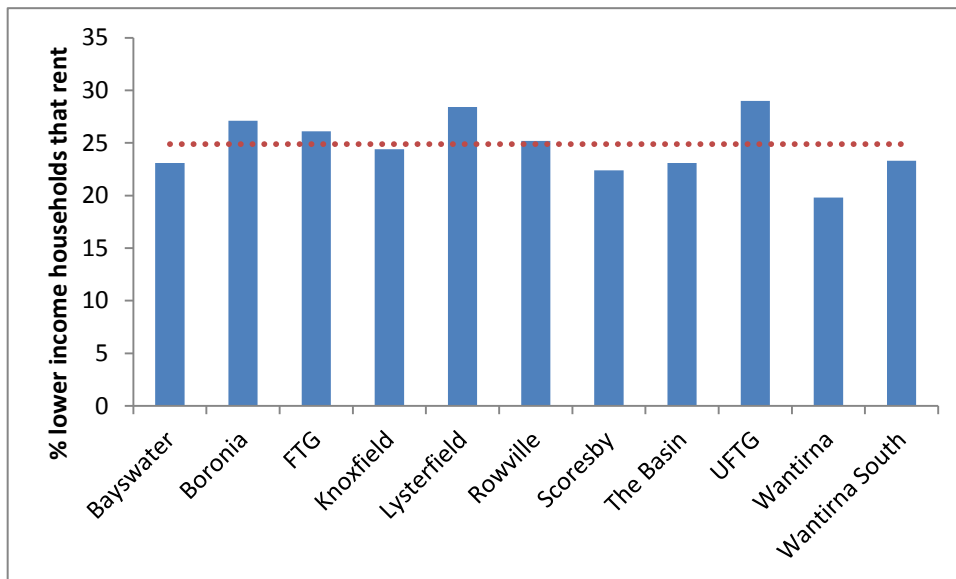
Measure: % of *low income* households in the bottom 40% of the national income distribution, paying 30%+ of usual gross weekly income on rental payments. (ABS Census)

Lower income households paying 30%+ of usual gross weekly income on rent, 2011



Though rental stress among low income households is higher than the Melbourne average in some Knox suburbs.

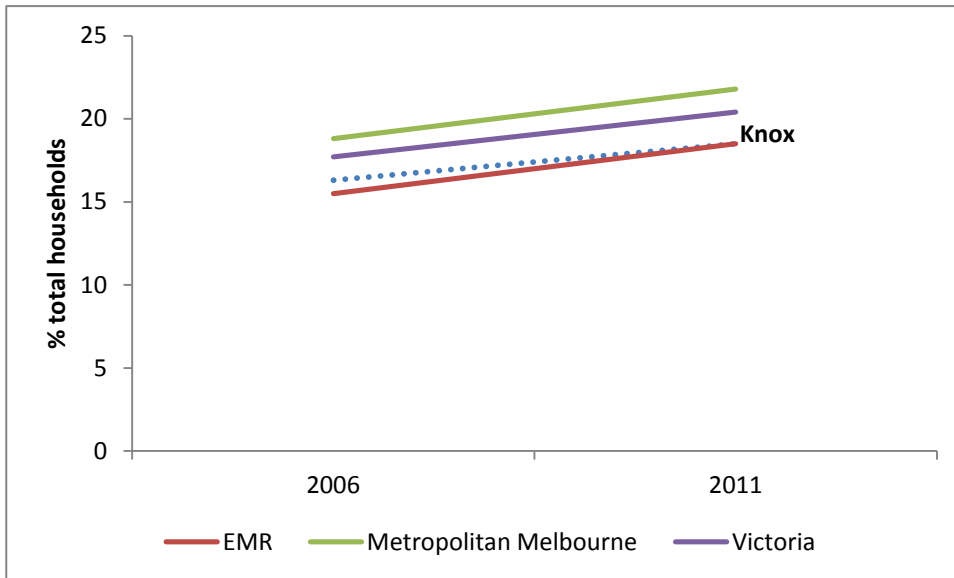
Lower income households paying 30% of usual gross weekly income on rent, by suburb, 2011



Overall, housing stress, whether due to mortgage or rent, is increasing for all Knox households, including lower income households.

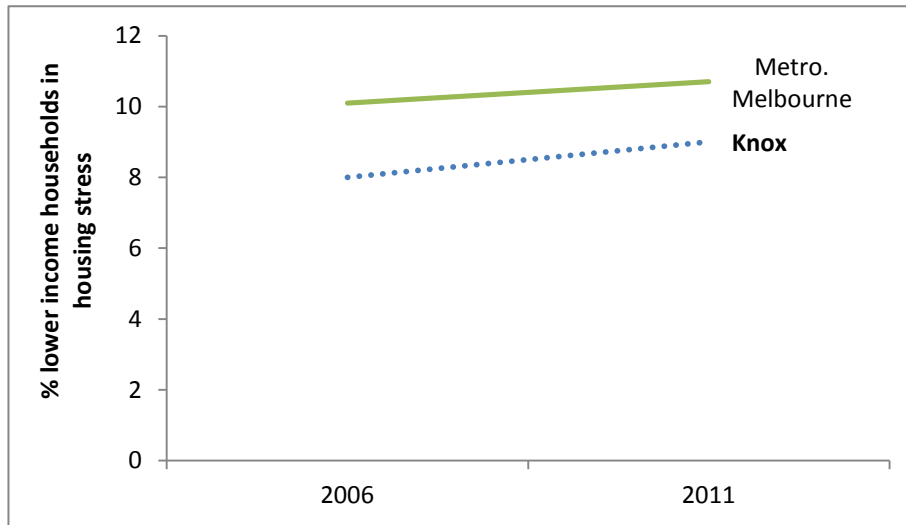
Measure: % households paying 30%+ of usual gross weekly income on housing costs (mortgage or rent). (ABS Census)

Households paying 30%+ of usual gross weekly income on housing costs (mortgage or rent), 2006-2011



Measure: % low income households in the bottom 40% of the national income distribution, paying 30%+ of usual gross weekly income on housing costs (mortgage or rent). (ABS Census)

Lower income households paying 30%+ of usual gross weekly income on housing costs (mortgage or rent), 2006-2011



Home purchase is no longer affordable for a typical Knox household.

Measure: Affordable dwelling price²⁴ for a typical household (on a median household income) relative to median house and unit price. (ABS Census for median household income; Land Data, DSE for median house prices)

Housing affordability, Knox, 1996-2011



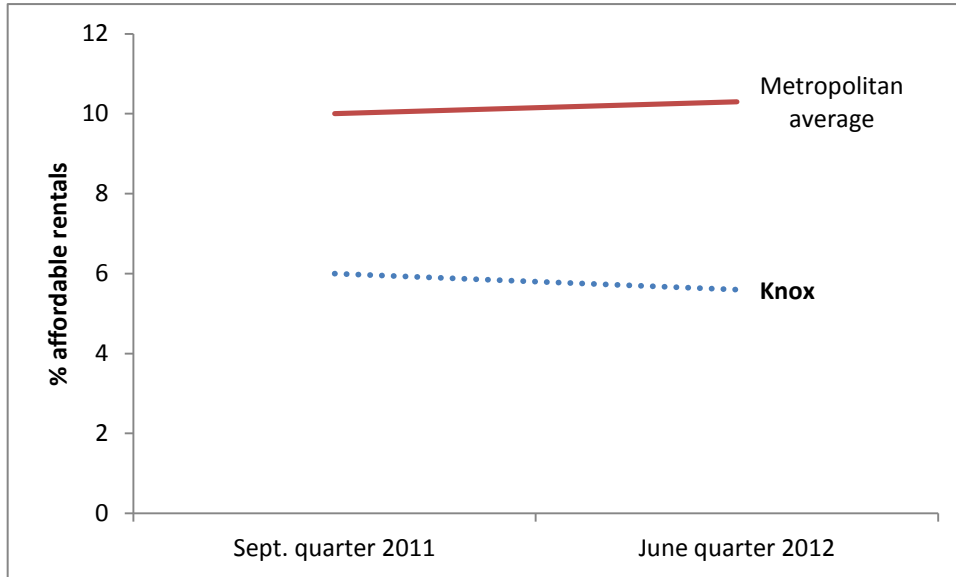
²⁴ Benchmarked at not more than 30% of household income

- From 2006 on, housing affordability began to worsen as median dwelling prices for houses and units increasingly diverged from what was affordable for a typical household in Knox.

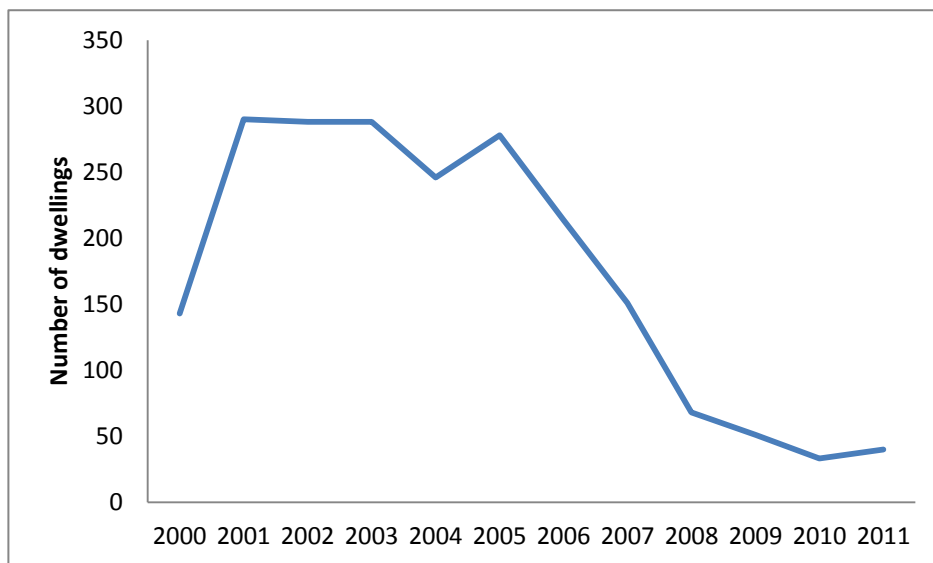
The availability of affordable rental housing is in decline in Knox.

Measure: % of private rental housing that is affordable for lower income households receiving a Centrelink benefit (Office of Housing, Rental Reports)

Affordable rental housing, September quarter, 2011 – June quarter, 2012



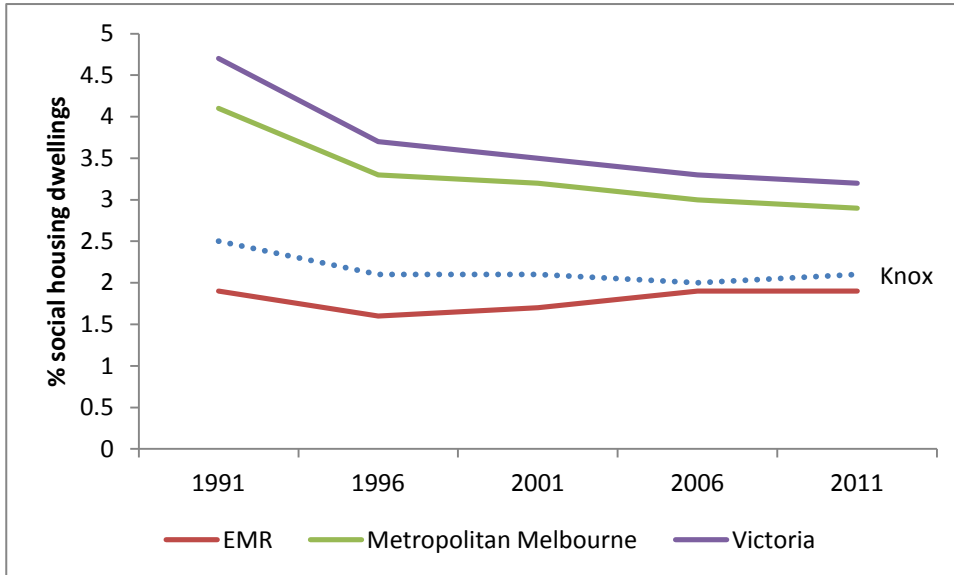
Number of affordable property lettings, Knox, 2000-2011 (September quarter)



And growth in availability of social housing in Knox has been negligible.

Percentage of social housing, 1991-2011

Measure: Social housing rental dwellings as % total private dwellings. (ABS Census)

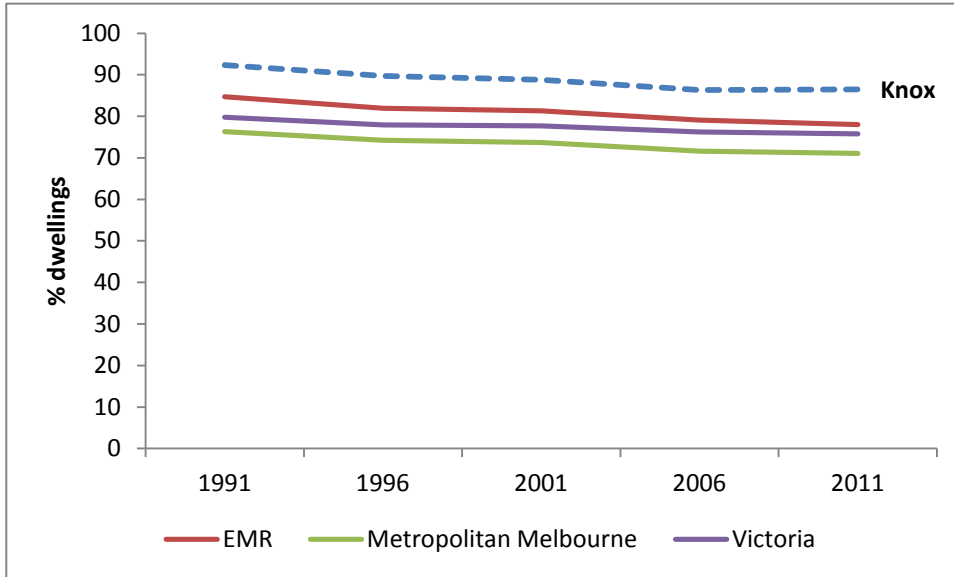


Housing choice data

There has been stagnation of housing choice in Knox in the last 5 years.

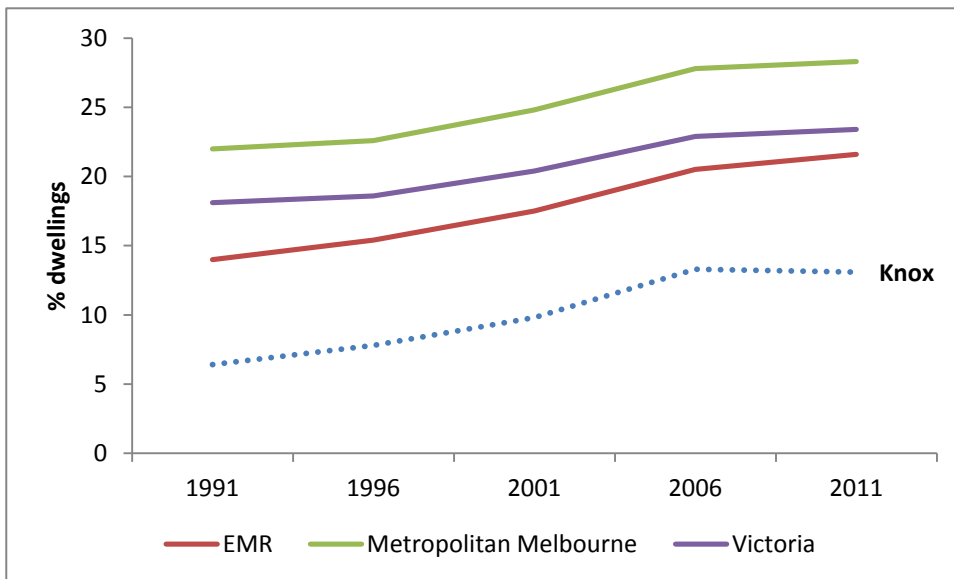
Measure: % housing that is detached (ABS Census)

Proportion of dwellings that are separate houses, 1991-2011



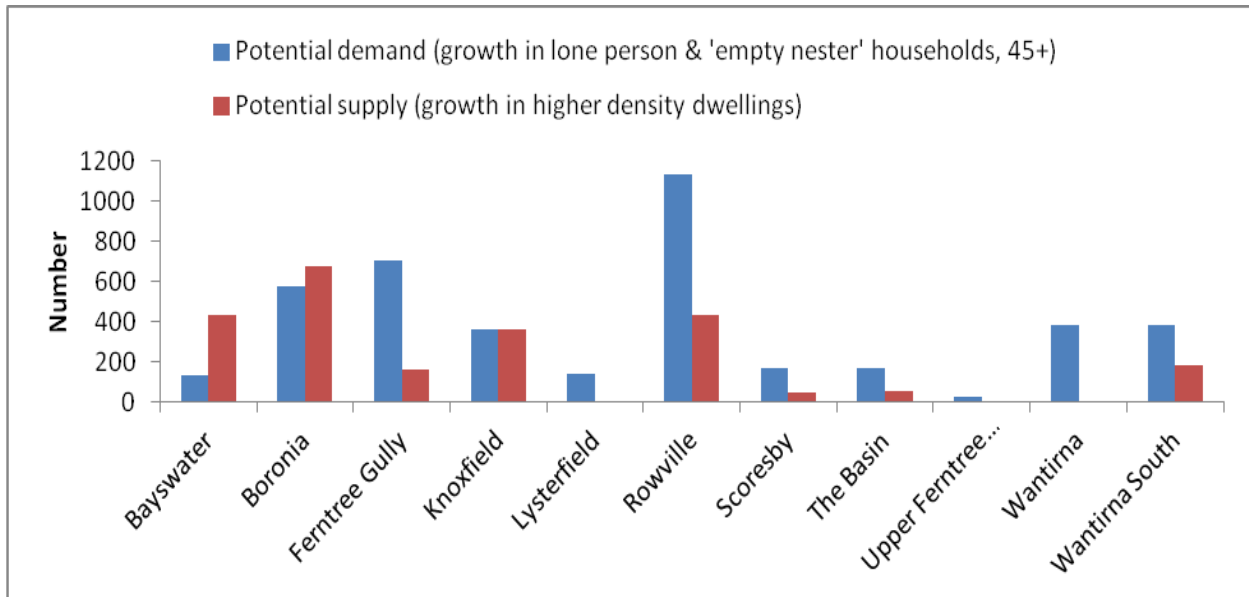
Measure: % housing that is medium or high density (ABS Census)

Proportion of dwellings that are medium & high density, 1991-2011



Measure: Growth in supply of smaller housing options relative to growth in number of smaller (lone person & couple only) households (ABS Census)

Housing supply and demand gap for smaller households, 1991-2011



- There is a mismatch between need and supply and the potential for stress between changing household structures generating demand for smaller housing stock and the lack of supply of such stock in many parts of Knox.
- For Knox overall, growth in the number of smaller dwellings met only half (55%) of potential demand based on the increase in smaller households over the past decade (an increase of 2370 smaller housing units compared with an increase of 4185 smaller households.)
- Supply and demand trends suggest greater housing diversity is needed.

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