

# 421 Upper Heidelberg Road Housing Diversity and Adaptability Report

Prepared by Development Victoria  
November 2023





# Acknowledgement of Country

In the spirit of reconciliation, Development Victoria respectfully acknowledges the Traditional Custodians of Country throughout Victoria and recognises and respects their continuing cultural heritage, beliefs, and connection to land. We pay our respects to their Elders past and present.

Development Victoria also acknowledges Aboriginal and Torres Strait Islander peoples as First Australians. We celebrate and commit ourselves to respecting their diverse and rich histories and cultures.



Yinga Buiik Birranga-ga (Sing land and Country), Artwork by Steve Ulula Parker

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# Executive Summary

This report has been prepared in relation to the Redevelopment of the Ivanhoe Water Tank site ('the Site') at 421 Upper Heidelberg Road, Ivanhoe to accompany the submission of a Development Plan in accordance with the requirements of Schedule 7 to the Development Plan Overlay (DPO7) of the *Banyule Planning Scheme*.

The purpose of this report is to provide detailed research and analysis to provide a demographic analysis of the types of people and households anticipated to live within the development and for a range of dwelling types to cater for a variety of housing needs including the provision of minimum of 10 per cent of dwellings as affordable housing as defined in the *Planning and Environment Act 1987 (P&E Act)*.

This report includes:

- A summary of State and local government planning and housing policy relevant to the Site.
- An analysis of the demographics and likely demand for dwelling typologies and bedroom mix on the Site.
- An outline of the proposed delivery strategies for affordable housing on the Site to meet the identified need.

## Demand for housing in Banyule

Research undertaken by Development Victoria to inform this report found that the City of Banyule has:

- A **high share of lone person households**. The largest share of lone person households is older lone persons (aged over 65).
- A **shift towards smaller households**, with the trend expected to continue. **Total households without children** grew by 2.3% as a proportion of households from the 2016 to 2021 census.
- A **diverse age profile** that is forecast to continue, with growth across all age groups forecast to 2041.
- **More family households living in medium and high-density housing**, with the number of medium and high density dwellings increasing their overall share of dwelling types by 5.9% between 2011 and 2021.
- **Private rentals playing an increasingly significant** role in the overall housing supply in Banyule **but** are becoming **less affordable**.
- **Rental stress is a significant issue**, with the 2021 Census showing that around one-third of renters in Banyule paying more than 30% of their income on rent.
- **Lack of affordable options**: Data indicates that there is a lack of properties that can be purchased affordably in the suburb of Ivanhoe, and that only approximately 3% of rentals in Banyule are affordable to low-income households as of March 2023.

Lower income households, from very low, low to moderate income earners are finding it hard to obtain housing that suits their needs in the local market, with median purchase prices mostly beyond their reach in the suburb of Ivanhoe.

For many households, renting is an affordable alternative to home ownership and this affordability helps explain the strong growth in rental households. However, private rentals are generally not affordable for very low and low income households, and rental stress is becoming increasingly prevalent.

The low rental vacancy rate in Ivanhoe is well below historical averages which should see rental rates continue to escalate, making rental accommodation harder to come by and more expensive for residents.

## Housing approach

Given the findings above, there is likely a strong demand in the vicinity of the development for:

- Studio, one and two bedroom dwellings for households across the 'lower income' spectrum.
- Housing with two or more bedrooms which could be suitable as group homes.
- Affordable rentals with security of tenure.

The following mix of housing is recommended to respond to the forecast demand and contribute to a diverse and resilient community:

Bedroom number and dwelling type	Indicative Dwelling %
1 Bedroom & Studio apartments	Up to 60% (dependent on number of 2 bedroom apartments provided)
2 Bedroom apartments	Up to 60% (dependent on number of 1 bedroom & Studio apartments provided)
3 Bedroom apartments	Up to 15%

*Table 1 – Recommended dwelling mix for the development*

The development aims to deliver well-located, integrated, and diverse housing that meets community needs close to jobs, transport, and services. The development will target the following:

- Supplying a minimum of 10% Affordable Housing as defined in the *P&E Act*
- Housing for key workers, families, households with disability, Aboriginal or Torres Strait Islanders and women over 55
- Priority access for target cohorts to rent or purchase
- Several affordable rental options (including long lease terms)
- A diversity of typologies that cater to a diversity of households and allow for ageing in place
- Tenure blind Affordable Housing.

Affordable housing choice, provided across the spectrum of income levels and household types, would best help meet the needs of households in Banyule. The development targets delivery of at least 10% of dwellings as affordable housing as defined in the *P&E Act* using a range of delivery models.

Given current market conditions, the development aims to provide affordable rental options. Market conditions would need to be monitored to assess whether affordable 'for purchase' product becomes more viable.

Priority access could be provided to the initial application for target cohorts, ensuring they have access to affordable, diverse, sustainable, well-designed accommodation located in a high amenity location.

Several affordable rental options and different apartment typologies will be investigated. This approach could incorporate Specialised Disability Accommodation, which will be considered as the development scheme is refined. The development aims to produce product that can cater for changes in lifestyle and allow ageing in place.

The development should aim to offer longer lease terms than are currently available in the private market, to secure people's lives in the location. Shorter term options could also be made available to meet the varying needs of the community.

The Housing proposed should aim to be tenure blind, meaning that market and affordable housing should not be differentiated through either their appearance, quality or amenity, and should enable equal access

to all amenity spaces. The affordable housing product should be allocated throughout the various typologies.

# 1. Introduction

Development Victoria has prepared this report in relation to the Redevelopment of the Ivanhoe Water Tank site ('the Site') at 421 Upper Heidelberg Road, Ivanhoe to accompany the submission of a Development Plan in accordance with the requirements of Schedule 7 to the Development Plan Overlay (DPO7) of the Banyule Planning Scheme.

The purpose of the report is to provide findings on research and analysis to demonstrate how the Site's development could deliver diverse and affordable housing that meets the need of the community.

This report includes four sections:

- **Policy Context** - summarises the key Government policy and planning frameworks that influence the delivery of affordable and diverse housing at the Site.
- **Demand for diverse and affordable housing** - describes the key population and general housing market characteristics and the forecast demand (based on 2021 Australian Bureau of Statistics (ABS) Census figures and Victoria in Future 2019 (VIF2019) population and household projections to 2056 for diverse and affordable housing in Ivanhoe.
- **Affordable housing options** - assesses options for the delivery of affordable housing to meet the needs of identified people and households.
- **Proposed diverse and affordable housing approach** - discusses how the housing mix and provision of affordable housing may be approached at the Site to meet the needs outlined in this report, and the broad target for affordable housing at the Site.

## Key terms

*Affordable Housing* is defined in the *P&E Act* as 'housing including social housing, that is appropriate for the housing needs of very low income, low income or moderate income households'. Income bands updated annually by the Minister for Planning and gazetted each year by Governor in Council Order on July 1, provide clear benchmarks for the incomes of households that may require affordable housing (income bands released in July 2023 are contained in Appendix A). The supporting Ministerial Notice lists principles that must be considered, including allocation, affordability and longevity that must be considered to determine what is appropriate.

*Social housing* is an umbrella term that includes both public housing and community housing. Its development and operation usually involve some degree of government subsidy. Tenants for social housing are identified through the Victorian Housing Register (VHR). Household income and asset eligibility limits for social housing through the VHR are provided contained in Appendix B.

*Key worker* is not a defined term under Victorian legislation or policy. In this report, the demographic analysis has focused on Health Care and Social Assistance sector workers, due to the proximity of the Site to hospitals and allied health services and the proportionately high number of these workers in the local population. Key workers typically work in jobs that are considered essential to the functioning of society without which public safety, health, or welfare would be impacted or detrimentally affected.



## 2. Background Context

This section summarises the proposed development of the Site.

### Development summary

The Site is located at 421 Upper Heidelberg Road, Ivanhoe, on the site of a former Yarra Valley Water (YVW) water tank. Close to public transport routes (bus and train) connecting the site to the CBD and surrounding activity centres, the Site is located within the Heidelberg Major Activity Centre (MAC) and the La Trobe National Employment and Innovation Cluster (NEIC).

Heidelberg is a world-class health precinct of State significance. The Site is adjacent to the Austin Hospital, and in proximity to Heidelberg Repatriation, Mercy and Warringal hospitals and a range of allied health services, and is a major employment centre in Banyule and the region.

The Site is also located adjacent to the commercial precinct along Bell Street which includes a selection of retail, commercial and hospitality uses.

The residential building will be supported by a public park as shown below in Figure 1.

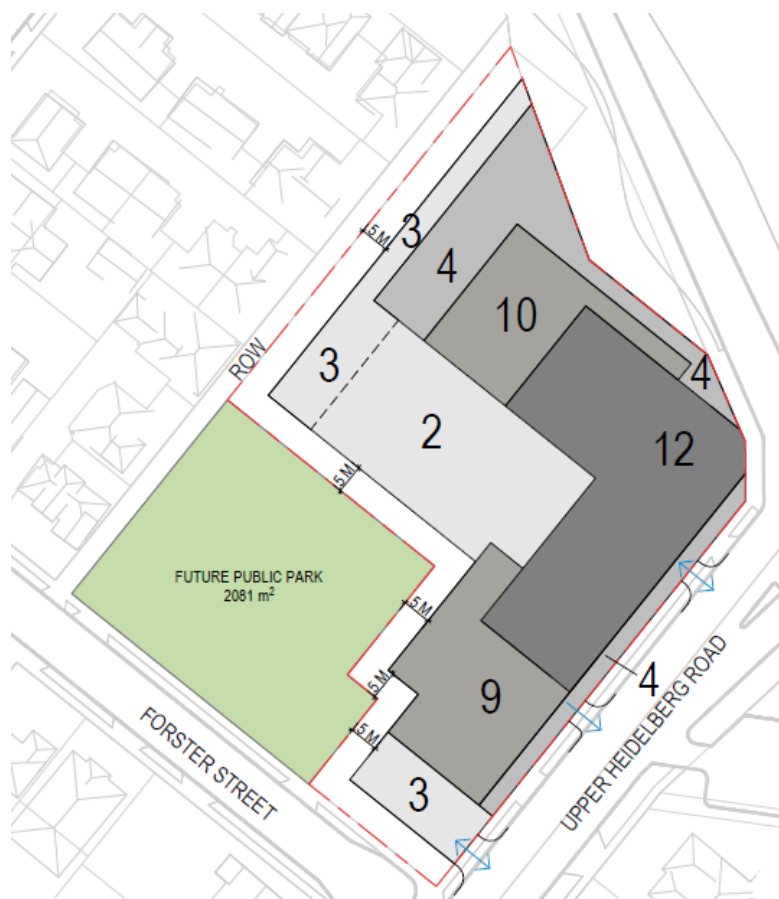


Figure 1 - Proposed development outcome

### Existing controls

The Site is subject to the Residential Growth Zone - Schedule 4 (RGZ4), and several Overlays, including:

- Development Plan Overlay – Schedule 7 (DPO7)
- Parking Overlay – Schedule 2 (PO2)
- Development Contributions Plan Overlay – Schedule 1(DCPO1).

### Development Plan Overlay – Schedule 7 (DPO7)

The DPO7 requires a Housing Diversity and Adaptability Report be prepared and submitted with the application for approval of a Development Plan.

The DPO7 specifies that the Report must provide:

- ‘A demographic analysis of the types of people and households anticipated to live within the development based on the proposed dwelling design and bedroom mix.
- For a range of dwelling types to cater for a variety of housing needs including the provision of up to 10 per cent of dwellings as affordable housing (as defined at section 3AA of the *P&E Act*).



### 3. Policy Context

*This section summarises key State and local government policy drivers and identifies priorities to be addressed in the redevelopment of the Site.*

#### State Housing and Planning Policy

*Homes for Victorians* (2017), *Plan Melbourne 2017 – 2050*, *Victoria's Big Housing Build* (VBHB), and more recently the *draft 10 Year Strategy for Social and Affordable Housing*<sup>1</sup> all reflect the State Government's priority focus on increasing the supply of housing in established areas, and the need to deliver greater volume and a wider range of affordable housing options. The objectives of the *P&E Act* include 'to facilitate the provision of affordable housing in Victoria'.

The government's commitment through the VBHB to provide \$5.3B in funding of more than 12,000 social and affordable homes responds to the housing needs of low and very low income households across Victoria. The VBHB will boost the state's social housing supply by 10% in just four years – by delivering 9,300 new social housing homes – including replacing 1,100 old public housing units, as well as significantly increasing the stock of affordable rental homes.

As the Victorian Government's primary property developer, Development Victoria has a legislative requirement to deliver government's policies on affordable and diverse housing and urban renewal, and to demonstrate best practice. Promoting and delivering affordable and diverse housing is one of Development Victoria's Policy Pillars.

Development Victoria's aim is to maintain good quality and sustainable built form outcomes, meet community and market expectations and needs, demonstrate an industry leading approach to housing affordability and diversity and to partner with the private sector, state, and local governments to achieve best practice delivery and funding mechanisms.

#### City of Banyule Housing Policy

The *Banyule City Council Housing Strategy* was adopted in 2009, and the council is currently in the process of reviewing the strategy and engaging with the community (with the publication of a discussion paper), with an updated strategy due in 2024-2025. Therefore it will be important to keep abreast of latest developments to confirm that priorities outlined in that Strategy remain accurate for the development of the Site.

The Strategy provides a review of housing opportunities to cater for the changing needs of Banyule's existing and future community, it also includes an Action Plan to guide Council actions for local housing towards 2030.

The Strategy highlights five housing themes, which Council has assigned the following 'Goals'. Notably, sustainability and affordability are key concerns and are contemplated as interdependent objectives throughout the strategy:

- **Sustainability** - To encourage housing located with good access to public transport, shops, and services, as well as housing that is designed, constructed, and used to substantially reduce

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<sup>1</sup> Note, the finalisation of this strategy is currently on hold

environmental impacts, particularly for energy consumption, carbon emissions, water conservation and motor vehicle dependency.

- **Affordability** - To research and implement new State and Federal Government policy initiatives and local projects to improve the affordability of homes in Banyule.
- **Diversity** - To encourage high quality housing stock that complements the existing and preferred neighbourhood character whilst satisfying the needs of a diverse range of residents from all ages, family types, ethnicities, incomes, and aspirations.
- **Character** - To protect, enhance and achieve a sustainable neighbourhood character that reflects the aspirations of the local community.
- **Infrastructure, Services and Transport** - To encourage housing that is well supported by infrastructure, services, and transport, takes advantage of public transport networks, and helps to reduce motor vehicle dependency.

The Strategy further identifies a range of issues that Development Victoria may consider in planning for its affordable housing options in the development of the Site:

- **Private market** - There is a lack of affordable houses in the private rental market in Banyule. This results in households either having to relocate or to live with housing stress. There is also a general concern at the current disparity between incomes and housing prices.
- **Affordability discrepancies across Banyule** - There are some suburbs in Banyule that are known to be more affordable to households on low incomes than others. More evenly dispersed affordable housing would reduce socio-economic polarisation in the municipality.
- **Barrier free housing** - The types of houses available in Banyule do not adequately provide for the needs of all residents. Policy intervention may be required to ensure that housing meets the needs of groups such as older persons, those with disabilities, Indigenous and ethnic communities.
- **Housing issues facing the ageing population** - Banyule, like many areas of Melbourne, has an increasingly ageing population. Housing stock should be diverse so that people who are ageing can continue to live in the community where they have a social network, family, and support services.
- **Housing issues facing culturally and linguistically diverse (CALD) communities** - CALD communities have expressed concern for the lack of well-designed accommodation that provides for diverse community needs. Public housing can fail to meet the varied needs of these communities.

## 4. Demand for Diverse and Affordable Housing

*This section sets out a demographic profile of Banyule and describes their housing needs.*

**Families** comprise the largest proportion of households in Banyule (45%), but lone person households have increased from 23% to 24% of all households. Compared to Greater Melbourne, Banyule has a slightly higher share of family households, and a slightly higher share of lone person households. Group households comprise about 3.0% of all households in Banyule, which is less than the Greater Melbourne average of 4.1%.<sup>2</sup>

The **shift towards smaller households** is expected to continue. By 2041, lone person households are forecast to make up 26% of households in Banyule.<sup>3</sup>

The largest share of **lone person households is among** older lone persons (aged over 65), followed by those that are middle aged lone persons (aged 45-64).<sup>4</sup> Lone person households have increased by 1.4% as a proportion of households from the 2016 to 2021 Census.

**Total households without children** grew by 2.3% as a proportion of households from the 2016 to 2021 Census, the largest components of which were older lone persons and older couples without children.

**Banyule has a diverse age profile that is forecast to continue**, with growth across all age groups forecast between 2021 and 2041; including a 27% forecast increase in population under working age (0-14); a 26% forecast increase in population of working age (aged 15-64) and a 24% forecast increase in population of retirement age (70+), with the faster growing component of this being in the 75+ age group (38%)<sup>5</sup>. As shown in Figure 2, the 2021 census data indicates that over half (55%) of the increase in population from 2016 was in the seniors age group (aged 70 to 84).

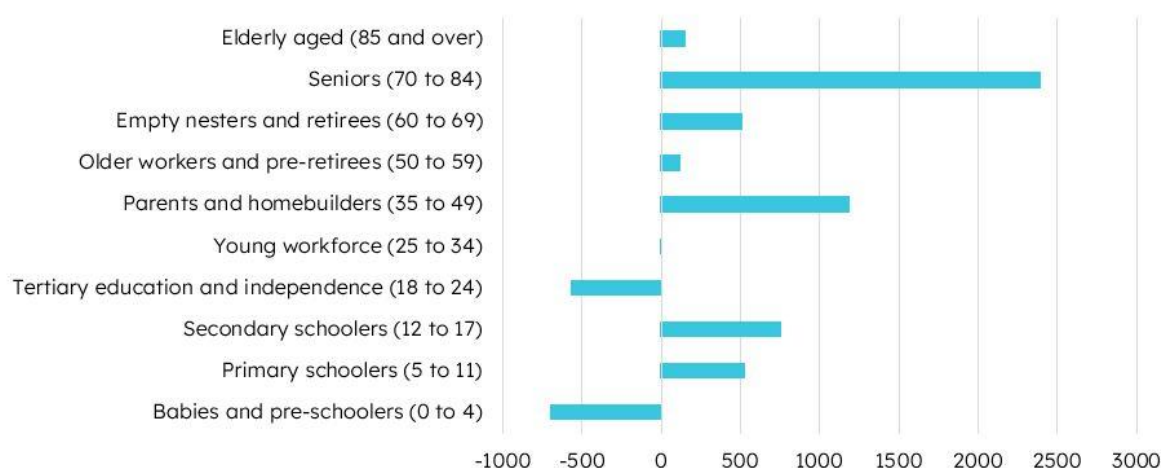


Figure 2 - Change in Banyule Age Structure from 2016 to 2021 (total persons)

**Banyule has a higher proportion of healthcare workers**

<sup>2</sup> <https://profile.id.com.au/banyule/households>, Census 2021 data

<sup>3</sup> <https://forecast.id.com.au/banyule/household-types>

<sup>4</sup> <https://profile.id.com.au/Banyule/households-without-children>, Census 2021 data

<sup>5</sup> <https://forecast.id.com.au/banyule/population-age-structure>

- At the 2021 Census, 16.4% of employed persons residing in Banyule worked in the Health Care and Social Assistance industry (up from 15.1% in 2016) – the largest industry sector of employment in the area. This was followed by Education and Training at 11.2% and Professional, Scientific and Technical Services at 10.6%. This suggests that a significant number of locals may be employed as key workers in the Heidelberg health precinct or La Trobe NEIC.

#### Households in Banyule are increasingly adopting apartment or townhouse living.

- The population of Banyule per the 2021 census has a lower likelihood of living in medium and high-density housing, with 25.6% of residents living in medium and high-density housing compared to the Greater Melbourne average of 34.4%.
- More family households are living in medium and high-density housing than ever before, with the proportion increasing from 19.7% in 2011 to 25.6% in 2021.**
- Medium and high-density dwelling typologies increased their overall share by 5.9% between 2011 and 2021.

#### Households in Banyule are primarily owner-occupied, however private rentals play an increasingly significant role in the overall supply, but are becoming less affordable.

- In comparison to Greater Melbourne, renting is less common in Banyule. The proportion of private renters in the City of Banyule is growing (increasing from 22.7% in 2011 to 25.2% in 2021), while the proportion of fully owned (no mortgage) homes declined from 38.0% in 2011 to 35.9% in 2021. This may reflect a lack of affordable purchase opportunities in the inner metro region for those on lower incomes, as recently highlighted by Infrastructure Victoria, shown in Figure 3 below.

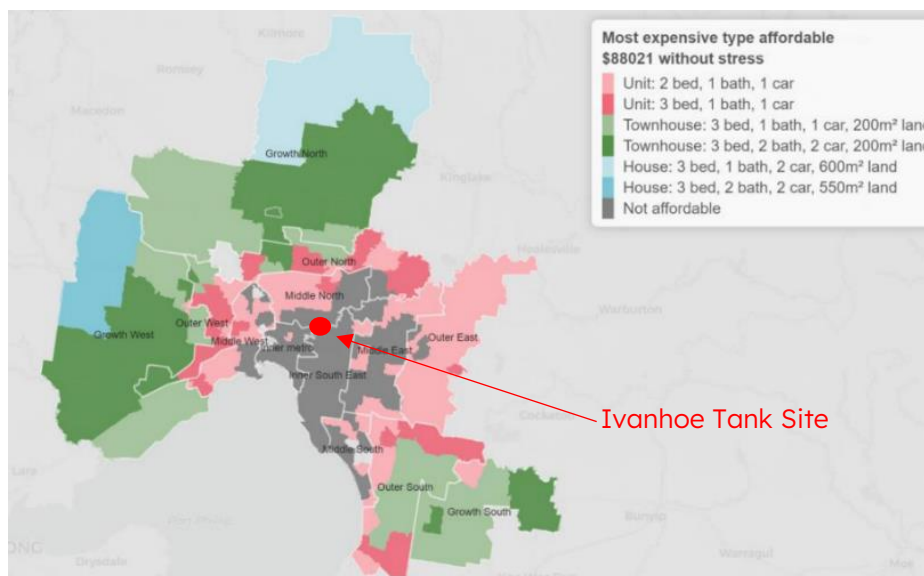


Figure 3 - Housing Type Affordability for \$88k income in Metro Melbourne<sup>6</sup>

<sup>6</sup> Infrastructure Victoria, Measuring home price differences: how features, location and infrastructure affect Melbourne's home prices, March 2023.



- Homes Victoria publishes quarterly data on “Affordable letting by Local Government Area.” It looks at the affordability of rental housing for lower income households in Victoria, based on data provided by the Residential Tenancies Bond Authority. The affordability benchmark used is that no more than 30% of gross income is spent on rent. Lower income households are defined as those receiving Centrelink incomes (not the *P&E Act* definitions used throughout the rest of this report).<sup>7</sup>

This data shows that the proportion of rentals in the City of Banyule that are affordable to low-income households has declined significantly from a high of 26.2% in September 2005 to 3.2% as at March 2023, as shown in Figure 4.

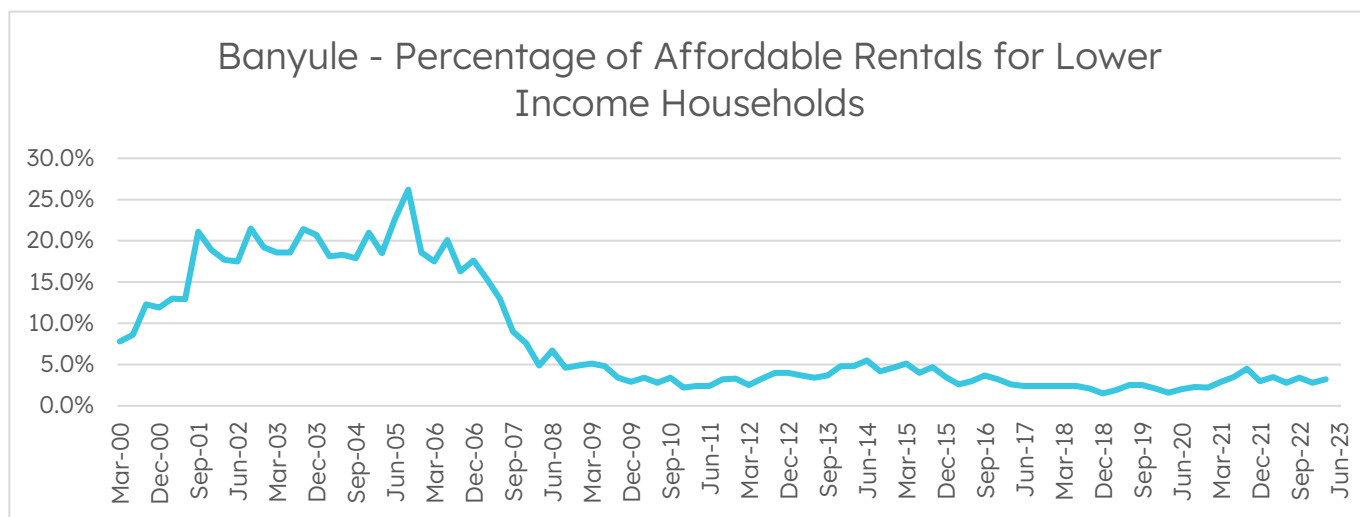


Figure 4 - Affordable Rentals for Lower Income Households in Banyule (Homes Victoria, March 2023)

Rent Affordability Indicator (RAID) in the 2021 Census showed that 28.1% of renters in Banyule were paying more than 30% of their income in rent compared to 30.9% in Victoria<sup>8</sup>.

<sup>7</sup> Note this applies to the City of Banyule LGA, not the suburb of Ivanhoe in isolation. Source: <https://discover.data.vic.gov.au/dataset/rental-report-quarterly-affordable-lettings-by-lga>

<sup>8</sup> <https://abs.gov.au/census/find-census-data/quickstats/2021/LGA20660>

## 5. Affordable Housing Options

*This section assesses options for the delivery of affordable housing at the development.*

### What can lower income earners afford?

Development Victoria has assessed the ability of very-low, low and moderate income earners, as defined in the P&E Act, to affordably purchase or rent property, shown respectively in Tables 1 and 2 below.

The capacities have been assessed so that direct housing costs do not exceed 30% of gross household income, and with several assumptions with respect to ability to secure and service a mortgage.

The below capacities are used to inform considerations of the delivery options for affordable housing stock, such as whether affordable dwellings are most feasibly delivered through purchase or rental schemes when compared to market prices/rents.

Household type	Moderate income earner	Low-income earner	Very low-income earner
Single	\$153k-\$226k	\$98k-\$153k	<\$98k
Couple	\$226k-\$336k	\$144k-\$226k	<\$144k
Family	\$314k-\$467k	\$198k-\$314k	<\$198k

*Table 2- Indicative purchase capacity by household type as at July 2023, 2023-24, Greater Melbourne*

Household type	Moderate income earner	Low-income earner	Very low-income earner
Single	\$275-\$412	\$172-\$275	<\$172
Couple	\$412-\$618	\$258-\$412	<\$258
Family	\$577-\$866	\$361-\$577	<\$361

*Table 3 - Indicative weekly rental capacity by household type, 2023-24, Greater Melbourne*

## Naturally Affordable Purchase

House prices in Ivanhoe are higher than the Metropolitan Melbourne average. Ivanhoe has a median price of \$1.459 million for a three-bedroom house, compared to \$860k in Metropolitan Melbourne. Unit prices are also more than Metropolitan Melbourne. Ivanhoe has a median price of \$670k for a two-bedroom unit, compared to \$600k in Metropolitan Melbourne in March 2023.<sup>9</sup>

Development Victoria has estimated the purchasing capacities of each lower income household type (refer to Table 1 for indicative purchase capacities), based on several assumptions including:

- prevailing interest rates and deposit capacity.
- assuming that a one-bedroom dwelling would meet the needs of a lone person household, a one- or two-bedroom dwelling would meet the needs of a couple household, and a two+ bedroom dwelling would meet the needs of a family; and
- limiting the cost of meeting housing needs to less than 30 per cent of gross household income.

These purchase capacities have been compared with median prices available in the market in Figure 5. The analysis found:

- All very low, low and moderate income earners, regardless of the household type (singles, couples, or families) are unlikely to be able to affordably purchase any typical product in Ivanhoe.
- Purchase capacities have dropped recently due the Reserve Bank of Australia's cash rate increase from 0.10% in April 2022 to 3.85% in May 2023 which has reduced the ability of households to service debt.

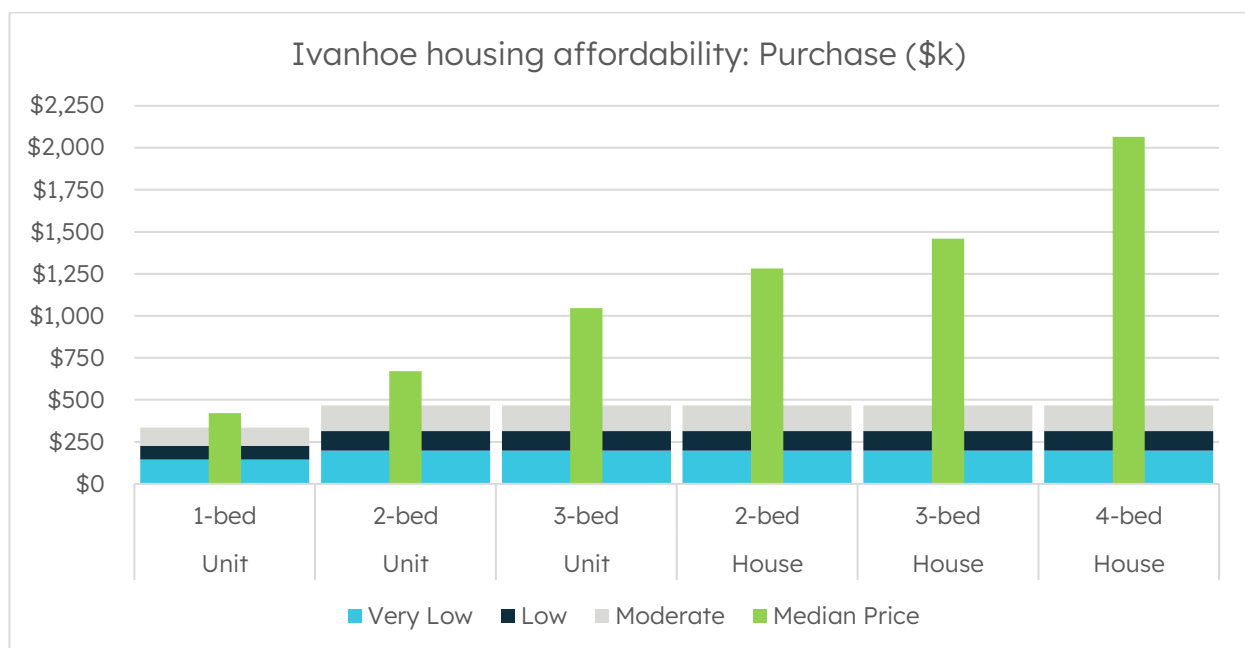


Figure 5 – Ivanhoe Affordable Housing Purchase Capacity vs Median Prices, June 2023

<sup>9</sup> Source: Real Estate Institute of Victoria (REIV) <<https://reiv.com.au/market-insights/victorian-insights#metro>>, Median data for December Quarter 2022, Accessed May 2023

## Affordable Purchase with Shared equity

Shared equity schemes can lower the threshold for affordable purchase by having an entity contribute a proportion of the purchase price in exchange for an equivalent share in the property. For instance, under the Victorian Homebuyer Fund, the Victorian Government could contribute up to 25% of the purchase price in exchange for an equivalent share in the property, reducing mortgage payments and removing the need for Lenders Mortgage Insurance.<sup>10</sup>

However, given the large gap between affordable purchase capacities and market price points in the area, the level of shared equity required will likely prove prohibitive for the development. For example, even with a 25% equity contribution from another party, the only dwelling type that are at or close to being affordable to purchase are 1 bedroom units for couples and 2 bedroom units for families, both at the upper limit of Moderate Income thresholds as defined by the P&E Act, as shown below in Figure 6. A shared equity level of around 42% would be required for a family in the middle of the moderate income band to be able to affordably purchase a median 2 bedroom apartment of around \$670k.

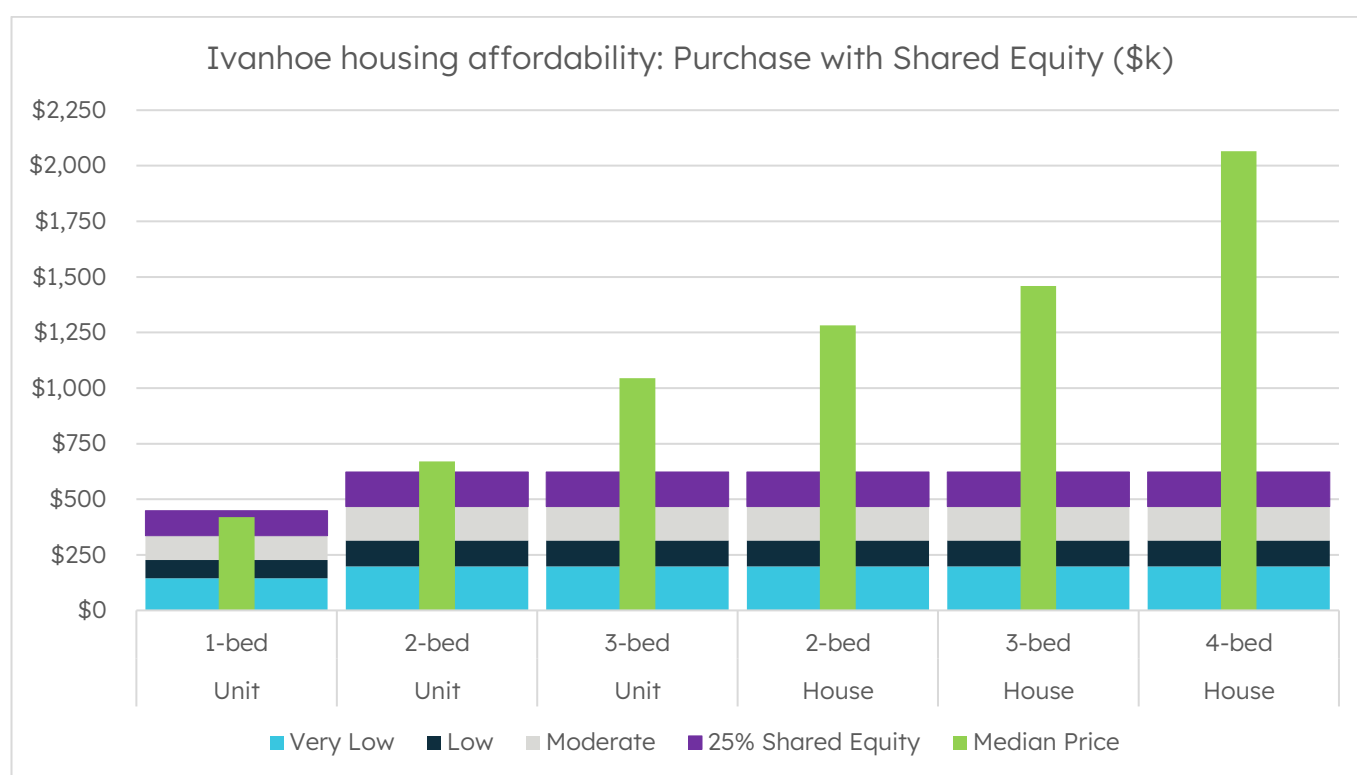


Figure 6 – Ivanhoe Affordable Housing Purchase Capacities with 25% Shared Equity vs Median Prices, June 2023

Shared Equity schemes also require substantial funding, and they will not be suitable for a range of households who are either unable to meet transaction costs such as stamp duty and ongoing ownership costs, or who do not want their ownership subject to potentially onerous terms and conditions of a third party, such as restrictions on the timing or price of sale.

<sup>10</sup> <https://www.sro.vic.gov.au/homebuyer>



## Naturally Affordable Rental

Rents in Ivanhoe have been increasing significantly over the past twelve months with houses increasing by 33.1% and units 11.8%. These rates are driven by historically low vacancy of 1.2% with 26 vacancies on the market.<sup>11</sup>

Obtaining rental accommodation in the suburb is increasingly challenging with smaller households, immigration, international students, and workers returning to the city post COVID lockdowns.

Rents are more affordable in Ivanhoe than purchasing, though Ivanhoe is still generally more expensive than Metropolitan Melbourne. As of June 2023, the median weekly rent for a three-bedroom house in Ivanhoe was \$630, compared to the Metropolitan Melbourne average of \$485 for a three-bedroom house. The median weekly rent for units in Ivanhoe was \$470, compared to \$460 in Metropolitan Melbourne.<sup>12</sup>

Assuming weekly rent is limited to 30% of total income, indicative rental capacities for each lower income household type have been estimated (refer to Table 2 for indicative rental capacities), Development Victoria found, as shown in Figure 7 below:

- Moderate income families are likely to be able to afford median market rents for all types of housing apart from 4 bedroom houses in Ivanhoe.
- Moderate income couples are likely to be able to afford to rent in Ivanhoe up to a two-bedroom unit or two-bedroom house (noting that households would need to be toward the top of the band to afford a two-bedroom house).
- Moderate income singles will likely struggle to afford to rent one-bedroom apartments in Ivanhoe, with their affordable rental capacity falling under the median rent for that product type.
- Very low- and low-income households of all types (singles, couples, and families) are unlikely to be able to afford to rent most homes in the private-rental market in Ivanhoe, apart from low income families towards the top of the band in 2 bedroom units or houses.

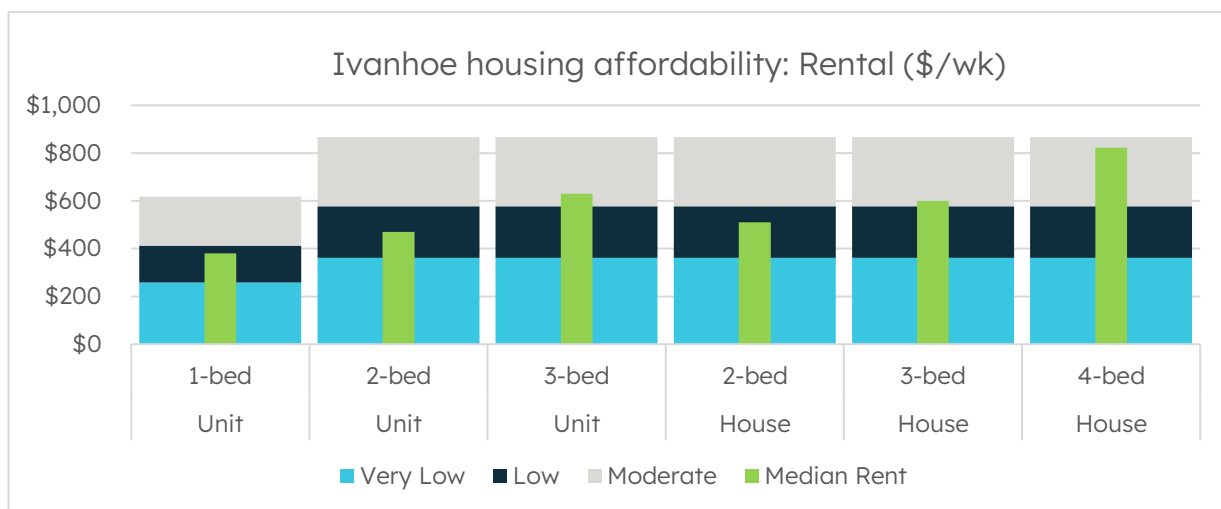


Figure 7 – Ivanhoe Affordable Housing Rental Capacity vs Median Rent, June 2023

<sup>11</sup> Source: SQM Research - Week ending 20 May 2023, <https://sqmresearch.com.au/>

<sup>12</sup> Source: Source: Real Estate Institute of Victoria (REIV) <<https://reiv.com.au/market-insights/victorian-insights#metro>, Median data for June 2023 Quarter> Accessed August 2023

The above demonstrates that a rental product is likely feasible as a means of providing affordable housing, at current market rental rates, to moderate income earning families, couples, and singles.

This could be achieved via a **Build-to-Rent (BTR)** scheme, whereby a single institutional investor owns the entire building and offers apartments to let on a long-term basis as a mean of achieving a low-risk investment yield over the economic cycle. The BTR model is mature in the US and UK markets, and there is now a burgeoning BTR industry in Australia thanks to raft of recent tax concessions from state and federal governments.

Other more bespoke schemes such as selling to individual investors with the requirement to let at market rates (rather than occupy the property), or Rent-to-Buy (where renters are given the option to purchase the property after a set rental period of approximately five years) would require a considered approach given the requirements of the potentially large number of individual investors/purchasers involved, and the degree of uncertainty surrounding the longevity of the affordable outcome.

It is worth noting that low to very-low income households would be unlikely to find at-market product naturally affordable, and would likely require some form of discount to market rent or some other form of subsidy to achieve an affordable rental outcome, which may require access to government funding or other concessions, such as those provided to community housing providers.

## Priority Access

Priority Access is an initiative used by Development Victoria (such as at its current Olivo Officer development) to offer eligible buyers exclusive access to affordable homes for a period of time (e.g. 7 days) during which they can make a purchase, before homes are made available to the general public.

A similar arrangement could also be utilised in a rental scheme, whereby rental dwellings could be set aside or otherwise prioritised for those on moderate-to-low incomes, keyworkers or other target cohorts.

## 6. Proposed Diverse and Affordable Housing Approach

*This section outlines how diversity and affordability may be approached at the Site to meet the needs outlined above.*

Development Victoria is committed to delivering diverse, affordable and sustainable property developments that enrich the lives of the community. As outlined in previous sections of this report, research and analysis has been undertaken to understand the needs of residents in the suburb and municipality to help inform how Development Victoria's development of the Site can provide affordable housing that meets these needs.

As indicated throughout the research in this report the City of Banyule has a:

- **A high share of lone person households.** The largest share of lone person households is older lone persons (aged over 65).
- **A shift towards smaller households**, with the trend expected to continue. **Total households without children** grew by 2.3% as a proportion of households from the 2016 to 2021 census.
- **A diverse age profile** that is forecast to continue, with growth across all age groups forecast to 2041.
- **More family households living in medium and high-density housing**, with the number of medium and high density dwellings increasing their overall share of dwelling types by 5.9% between 2011 and 2021.
- **Private rentals playing an increasingly significant** role in the overall housing supply in Banyule **but** are becoming **less affordable**.
- **Rental stress is a significant issue**, with the 2021 Census showing that around one-third of renters in Banyule paying more than 30% of their income on rent.
- **Lack of affordable options:** Data indicates that there is a lack of properties that can be purchased affordably in the suburb of Ivanhoe, and that only approximately 3% of rentals in Banyule are affordable to low-income households as of March 2023.

Lower income households, from very low, low to moderate income earners are finding it hard to obtain housing that suits their needs in the local market, with median purchase prices mostly beyond their reach in the suburb of Ivanhoe.

For many households, renting is an affordable alternative to home ownership and this affordability helps explain the strong growth in rental households. However, private rentals are generally not affordable for very low and low income households, and rental stress is becoming increasingly prevalent.

The low rental vacancy rate in Ivanhoe is well below historical averages which should see rental rates continue to escalate, making rental accommodation harder to come by and more expensive for residents.

Given the findings above, there is likely a strong demand in the vicinity of the development for:

- Studio, one and two bedroom dwellings for households across the 'lower income' spectrum.
- Housing with two or more bedrooms these could be suitable as group homes.
- Affordable rentals with security of tenure.

The following mix of housing is recommended to respond to the forecast demand and contribute to a diverse and resilient community:

Bedroom number and dwelling type	Indicative Dwelling %
1 Bedroom & Studio apartments	Up to 60% (dependent on number of 2 bedroom apartments provided)
2 Bedroom apartments	Up to 60% (dependent on number of 1 bedroom & Studio apartments provided)
3 Bedroom apartments	Up to 15%

*Table 4 – Recommended dwelling mix for the development*

This suggested mix may be reviewed as required to cater for potential changes to market conditions, shifting trends in demographics, migration patterns, population age structure, and overall product preference.

### **Deliver a minimum of 10% Affordable Housing**

Development Victoria proposes to deliver a minimum of 10% of the development as Affordable Housing as defined under the *P&E Act* at the Site.

Affordable housing as outlined in this approach includes the potential to include social housing that is appropriate for the housing needs of very low income, low income or moderate income households.

### **Affordable Rental Housing**

Affordable rental models, such as institutional Build-to-Rent, are expected to have the best potential to deliver Affordable Housing on the Site for a range of lower income earners. This may be achieved through a mix of at-market or potentially subsidised affordable rental housing (including social housing), depending on the funding available.

### **Priority Cohorts**

The development could target key workers, family households, people with a disability, Indigenous Australians or Torres Strait Islanders and women over 55.

Priority access to the initial application process could be afforded to qualifying cohort members, giving them the ability to lease or purchase apartments before the broader market.

### **Diverse housing to meet different household needs**

Given that rental stress is an issue in the City of Banyule, predominantly among single households, it is expected that several affordable rental options and different apartment typologies should be offered. This approach could also incorporate Specialised Disability Accommodation, which will be investigated as the development scheme is refined.

The development could offer longer lease terms than are currently available in the private market, to secure people's lives in the location. Shorter term options should also be available to meet the varying needs of the community.

To ensure affordable housing appropriately responds to the forecast demand, and to contribute to the continuation of a diverse and resilient community and tenure-blindness, the dwelling mix applied to the



affordable housing portion of the development would on average over time follow the overall development mix. Therefore the mix as represented in Table 4 is recommended for the affordable housing portion of the development.

### **Accessible housing to allow for ageing in place**

The development could offer housing product that could cater for changes in lifestyle and allow ageing in place. This could provide residents with the opportunity to relocate to more suitable accommodation in the development as their lives change.

### **Tenure blind to ensure amenity and quality of housing**

It is the intention the Affordable Housing proposed would be tenure blind, meaning that market and affordable housing would not be differentiated through either their appearance, quality or amenity and would have equal access to amenity spaces. It is also the intention that the Affordable Housing product would not be confined to smaller typologies but would be allocated throughout the various typologies.

### **Affordable purchase for moderate income households.**

Due to the current challenges of high land values, significant escalation in the costs of construction, cost of delivering public open space and sustainability aspirations of the development, it is unlikely at present that the development could provide for a large quantity of affordable housing for purchase by moderate income households. However, this is subject to market conditions which would need to be monitored closely to assess whether affordable 'for purchase' product becomes more viable as time progresses.

The above lends to affordable rental options as being the most viable delivery methods for affordable housing at the development.

# Appendix A – P&E Act Income Bands (July 2023)

## ORDERS IN COUNCIL

### Planning and Environment Act 1987

#### SECTION 3AB – SPECIFICATION OF INCOME RANGES

##### Order in Council

The Governor in Council under section 3AB of the **Planning and Environment Act 1987** and on the recommendation of the Minister of Planning, hereby specifies, with respect to affordable housing that is not social housing, the following ranges to be the very low income range, low income range and moderate income range.

Table 1 – Greater Capital City Statistical Area of Melbourne

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to \$29,770	\$29,771 to \$47,630	\$47,631 to \$71,450
Couple, no dependant	Up to \$44,650	\$44,651 to \$71,450	\$71,451 to \$107,170
Family (with one or two parents) and dependent children	Up to \$62,510	\$62,511 to \$100,030	\$100,031 to \$150,030

Table 2 – Rest of Victoria

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to \$21,700	\$21,701 to \$34,730	\$34,731 to \$52,090
Couple, no dependant	Up to \$32,550	\$32,551 to \$52,090	\$52,091 to \$78,140
Family (with one or two parents) and dependent children	Up to \$45,570	\$45,571 to \$72,930	\$72,931 to \$109,400

*Note: Table 1 and 2 are derived from annual area median income from the Australian Bureau of Statistics 2021 Census of Population and Housing.*

This Order applies from 1 July 2023.

For the avoidance of doubt, this Order revokes the following Order previously made under section 3AB of the **Planning and Environment Act 1987**:

- Specification of Income Ranges, published in Government Gazette No. G 25 on 23 June 2022 at page 2877.

Dated: 20 June 2023

Responsible Minister:

HON SONYA KILKENNY MP

Minister for Planning

## Appendix B – VHR Social Housing Income & Assets Limits

To be eligible for social housing through the VHR, the following household income and asset limits must not be exceeded:

Household type	Priority Access Weekly Limit	Register of Interest Weekly Limit
Single person	\$619	\$1,107 (\$57,564 pa)
Couple, no dependants	\$1,070	\$1,693 (\$88,036 pa)
Family (one or two parents) with up to two dependent children	\$1,109	\$2,284 (\$118,768 pa)
Each additional dependant	\$39	\$370
Asset Limit	\$14,364 (\$121,133 for households who need major or full disability modifications)	\$36,340 (\$121,133 for households who need major or full disability modifications)

*Table 5- Social housing household income and asset limit, Effective as of 1 April 2023*

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