ANALYSIS OF THE POTENTIAL SHORTFALL OF SOCIAL HOUSING IN THE CITIES OF BAYSIDE, BOROONDARA AND STONNINGTON BY 2022

October 2017

Contents

Key findings

- The population of Victoria is growing. As the population grows, the demand for social housing will also grow. In this report, NERA Economic Consulting (NERA) and Sensing Value have analysed data from the Australian Bureau of Statistics (ABS) and other sources, to estimate the potential shortfall in social housing dwellings in the cities of Bayside, Boroondara and Stonnington in 2022

- Currently, the revealed demand for social housing in Victoria is greater than current supply as indicated by waiting lists for social housing accommodation. While the revealed demand is a subset of total demand (with total demand not currently quantified), it is still possible to identify the extent to which the Public Housing Renewal Program (PHRP) will increase the stock of social housing dwellings relative to the expected requirement for social housing in 2022 (based on the current rates of provision)

- The shortfall has been calculated based on the following:

  o the expected increase in social housing dwellings that will be required to ensure the current rates of provision of social housing dwellings in the three cities (based on ABS forecasts of new household formation through to 2022)

  o the assumption that under the PHRP, there will be a 10% increase in the number of social housing dwellings in each city

- Although the supply of social housing is expected to increase over the next three years, we are projecting there will be a shortfall in supply in each of the three areas covered by this analysis

- In total, this shortfall is estimated to be around 1,100 dwellings.

Summary of projected shortfall of social housing in the cities of Bayside, Boroondara and Stonnington

LGA	Public Housing	Community Owned	Total current social housing dwellings	Projected new dwellings under policy	Projected requirement for social housing by 2022	Shortfall in social housing dwellings
Bayside	1,201	93	1,294	120	1,773	359
Boroondara	702	83	785	70	1,076	221
Stonnington	1,783	84	1,867	178	2,558	513
TOTAL	**3,686**	**260**	**3,946**	**368**	**5,407**	**1,093**

Sources: Department of Health and Human Services *Social housing and specialist homelessness services additional service delivery data 2015-16*, NERA and Sensing Value forecasts based on ABS projections

- We note that the shortfall outlined in the table above may not represent the full extent of demand for social housing in the three cities, as it does not factor in a number of relevant considerations such as current and future waiting lists, dwelling types and potential drivers of future demand such as family violence.

1.   Introduction

1.1.   Purpose of report

In December 2016, the Victorian Government, as part of its commitment to increase the state's public housing stock, launched the Public Housing Renewal Program (PHRP) to redevelop public housing at sites across Melbourne. The PHRP is intended to grow and sustain the supply of public housing and improve the quality and suitability of public housing.

The Cities of Bayside, Boroondara and Stonnington consider that the PHRP will only result in a small increase in the overall level of social housing capacity and there will continue to be a significant shortfall in supply compared to the current and emerging demand for social housing accommodation in their respective local government areas.

In the context of the above, the purpose of this analysis was to estimate the potential shortfall in social housing dwellings in the Cities of Boroondara, Bayside and Stonnington through to 2022.

1.2.   Overview of approach

The key steps for the preparation of this report were the following;

i.   *Literature and data review-* this included a review of relevant documents available on the Victorian Government's social housing policy and current delivery, as well as research on current and future demand for social housing in Australia

ii.   *Engagement with councils* – discussion with the senior council officers with responsibility for social housing policy in each of the three cities to gather information on current and emerging trends specific to their jurisdictions

iii.   *Projections of social housing* – development and application of a methodology to forecast the potential shortfall in social housing in each of the three cities through to 2022 (based on the current rates of provision) under the PHRP.

1.3.   Report structure

The structure of this report is as follows:

▪   Section 2 outlines a market analysis of social housing including the key elements of the Victorian Government's social housing growth strategy

▪   Section 3 provides an analysis of the demographics of each of the three cities to provide insight into the demand drivers and emerging trends for social housing in each city

▪   Section 4 outlines the forecast of potential shortfall in supply of social housing in each city through to 2022 under the PHRP.

2.   Social housing market analysis

2.1.   Definition of social housing

Social housing is provided by both Government and not-for-profit organisations to people who are unable to access suitable residential accommodation in the private market. Social housing is typically the umbrella term that includes both public housing and community housing. The provision of social housing usually involves some degree of subsidy.

The Victorian Government defines public and community housing as follows[1]:

> ***Public Housing***
>
> *Housing owned and managed by the Director of Housing. The Government provides public housing to eligible disadvantaged Victorians including those unemployed, on low incomes, with a disability, with a mental illness or at risk of homelessness*
>
> ***Community Housing***
>
> *Housing owned or managed by community housing agencies for low income people including those eligible for public housing. Community housing agencies are regulated by the Government.*

2.2.   Social housing options

As illustrated in Figure 2.1 on the following page, social housing includes both short term and long-term accommodation.

- **Long-term social housing** – targets low income households and individuals with identified support needs[2]
- **Short-term social housing** – short term social housing specifically targets homeless individuals and families[3].

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[1] *Homes for Victorians – Affordability, access and choice*, State of Victoria (2017)

[2] *Social housing and specialist homelessness services additional service delivery data 2015-16*, Victorian Department of Health and Human Services (2017)

[3] Ibid

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Figure 2.1: Social housing options
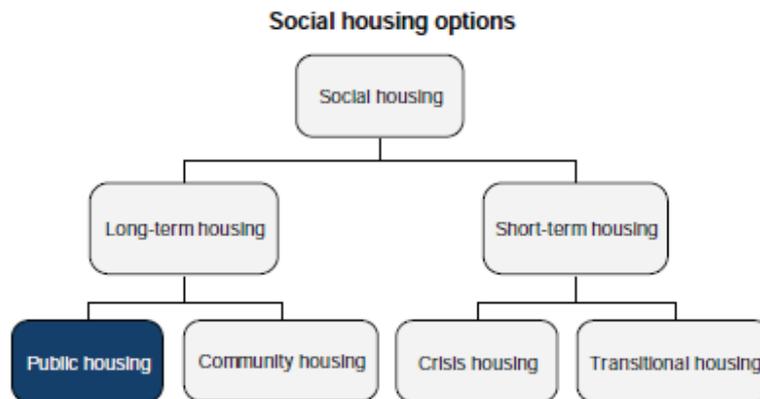
<p align="center">Source: Victorian Auditor General's Office[4]</p>

2.3.   Social housing support criteria

To be eligible for social housing assistance, you should live in Victoria and meet certain requirements including the following:

- You must be an Australian citizen or have permanent residency status

- Not earn or own more than the current social housing income and asset limits

- Not be subject to Centrelink's two year waiting period for newly-arrived migrants

- Not own or part-own a house, unit or flat.

The current household income and asset limits (as of 20 September 2017) are as follows[5]:

- **Register of Interest** – assets less than $31,250 and weekly income of no more than:

    o Single person - $978
    o Couple, no dependents - $1,498
    o Family (one or two parents) with dependent children - $2,019.

- **Priority Access** – assets of less than $5,253 and weekly income of no more than:

    o Single person - $546

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[4] *Managing Victoria's Public Housing* Victoria Auditor General's Office (2017)

[5] http://www.housing.vic.gov.au/social-housing-income-and-asset-limits

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- o Couple, no dependents - $943
- o Family (one or two parents) with one dependent children - $977
- o Each additional dependent - $34.

The Victorian Government reported[6] that for the 2015-16 financial year, 62,989 households were assisted with long-term direct tenure public housing and an estimated 100,000 people were assisted to address and prevent homelessness.

2.4. Social housing provision

According to the recently released Victorian Auditor General's report *Managing Victoria's Public Housing*[7], available social housing accommodation in Victoria comprises:

▪ Public Housing – 64,663 dwellings

▪ Community Housing – around 19,000 dwellings.

Based on the most recently data published by the Victorian Department of Health and Human Services[8], the current profile of the social housing dwellings in the three local government areas covered in this report is outlined in Table 2.2 below.

Table 2.2 Social housing dwellings by local government area at 30 June 2016

LGA	House	Medium density	Flats	Moveable Units	Multi unit facility	Other	Community Owned
Bayside	170	548	427	4	40	12	93
Boroondara	100	335	157	5	100	5	83
Stonnington	12	302	1,409	1	53	6	84

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[6] *Social housing and specialist homelessness services additional service delivery data 2015-16*, Victorian Department of Health and Human Services (2017)

[7] *Managing Victoria's Public Housing* Victoria Auditor General's Office (2017)

[8] *Social housing and specialist homelessness services additional service delivery data 2015-16*, Victorian Department of Health and Human Services (2017)

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2.5. Social housing policy strategy

As part of its Homes for Victorians strategy document, the Victorian Government announced the establishment of a $1 billion Victorian Social Housing Growth Fund. The stated objective of this fund is to provide for the development of around 6,000 social housing dwellings including new builds, subsidised rentals and the renewal of up to 2,500 ageing public housing dwellings. The Social Housing Growth Fund's stated aim is "to underpin new approaches to deliver social housing – either by funding new partnership developments on non-government land or providing rental subsidies for properties in the private market". The fund is estimated to provide an additional 2,200 new social housing places over a five year period through a combination of the construction new social housing dwellings and the provision of rental support[9].

As outlined in Figure 2.2 below, the Victorian Government's strategy for the expansion of the social housing stock incorporates three streams focusing on:

- Renewing and expanding the public housing stock

- Providing financial assistance to the community housing sector to invest in new social housing stock

- Improving the management and financial capacity of the community housing sector to enable the sector to create additional social housing stock.

Figure 2.2 Key elements of the Victorian Government's social housing growth strategy[10]

Renewal and expansion of public housing stock	Financial backing for the community housing sector	Increasing capacity of the community housing sector
Public Housing Renewal Program (PHRP) - Redevelopment of up to 2,500 public housing dwellings and increase in the number of social housing properties by at least 10% *Increase social housing pipeline* - Funding for an additional 981 social housing dwellings through construction of new dwellings, purchase of existing dwellings or leasing of properties for social housing.	Encouraging the growth of the not-for-profit community housing sector by giving housing associations participating in the Victoria Housing Register the capacity to invest in new social and affordable housing - Revolving loan facility providing low cost, long-term subordinate loans to Housing Associations - Loan guarantee program to assist Housing Associations to access finance at affordable interest rates.	Enabling community housing agencies to create greater economies of scale by managing larger groups of homes - Transfer of management responsibility for 4,000 public housing dwellings to community housing agencies on a long-term basis - Provide for greater long-term certainty and additional revenue streams for the creation of additional social housing

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[9] *Homes for Victorians – Affordability, access and choice*, State of Victoria (2017)

[10] Ibid

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3. Demographics and demand drivers for social housing

This section outlines an analysis of the demographics of each of the cities which provides insight into the demand drivers for social housing in each of these local government area (LGA).

3.1. Bayside

Of the three cities, the City of Bayside has the population with the highest median age and the highest median weekly rent. It also has the lowest rate of renters (likely due to a significant proportion of owner-occupiers) and the number of households under rental stress (households paying 30% or more of their income as rent payments).

Table 3.1: Key demographics of the City of Bayside (2016)

		Victoria
Population	97,087	5,926,626
Median age	44	37
Number of social housing dwellings	1,294	86,266
Median weekly rent	$450	$325
% of population renting (public and private)	23.1%	28.7%
% households under rental stress	8.0%	10.4%

Sources: 2016 ABS Census, Department of Health and Human Services *Social housing and specialist homelessness services additional service delivery data 2015-16*

The household composition of the City of Bayside has a higher proportion of 'couple households with children' than the State wide average, as well as a lower number of 'group households' and 'one parent family households'. This suggests that any future social housing dwellings constructed in the LGA would need to be appropriate for families with children.

Table 3.2: Household composition of the City of Bayside (2016)

		Victoria
Couple household without children	25.9%	25.9%
Couple household with children	38.4%	32.8%
One parent family household	9.0%	10.8%
Other family household	0.8%	1.3%
Lone person household	24.4%	24.7%
Group household	2.1%	4.5%

Source: 2016 ABS Census

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3.2.   Boroondara

The City of Boroondara is largely consistent with wider Victorian averages in its key demographics, although it has a higher proportion of its population renting. Amongst the three cities, the City of Boroondara has the lowest number of social housing dwellings.

Table 3.3: Key demographics of the City of Boroondara (2016)

		Victoria (2016)
Population	167,231	5,926,626
Median age	38	37
Number of social housing dwellings	785	86,266
Median weekly rent	$406	$325
% of population renting (public and private)	30.4%	28.7%
% households under rental stress	10.1%	10.4%

Sources: 2016 ABS Census, Department of Health and Human Services *Social housing and specialist homelessness services additional service delivery data 2015-16*

The household composition of the City of Boroondara has a high proportion of couples with children and group households, as well as a lower proportion of one parent family households and couple households without children. Similar to the City of Bayside, the high proportion of couple households with children suggests shows that there will be a demand for social housing dwellings appropriate for families with children going forward.

Table 3.4: Household composition of the City of Boroondara (2016)

Household composition (2016)		Victoria (2016)
Couple household without children	24.6%	25.9%
Couple household with children	37.0%	32.8%
One parent family household	8.5%	10.8%
Other family household	1.6%	1.3%
Lone person household	24.2%	24.7%
Group household	5.2%	4.5%

Source: 2016 ABS Census

3.3. Stonnington

Across the three cities, the City of Stonnington's demographic profile is characterised by having the highest proportion of its population renting and the highest proportion of households under rental stress. The city has the largest number of social housing dwellings amongst the three cities. Compared to state averages, the City of Stonnington also has a slightly lower median age.

Table 3.5: Key demographics of the City of Stonnington (2016)

		Victoria (2016)
Population	103,832	5,926,626
Median age	35	37
Number of social housing dwellings	1,867	86,266
Median weekly rent	$400	$325
% of population renting (public and private)	47.1%	28.7%
% households under rental stress	15.7%	10.4%

Sources: 2016 ABS Census, Department of Health and Human Services *Social housing and specialist homelessness services additional service delivery data 2015-16*

The household composition of the City of Stonnington is characterised by a significantly higher proportion of households without children, with lone person households and couple households without children as its two largest household types. Group households also form a significantly larger proportion compared to state averages. The high proportion of households renting, combined with the high proportion of households under rental stress suggest that the city will continue to face significant demand for social housing dwellings going forward.

Table 3.6: Household composition of the City of Stonnington (2016)

		Victoria (2016)
Couple household without children	27.2%	25.9%
Couple household with children	21.0%	32.8%
One parent family household	6.0%	10.8%
Other family household	1.7%	1.3%
Lone person household	34.3%	24.7%
Group household	9.6%	4.5%

Source: 2016 ABS Census

4. Estimating the future requirement for social housing

4.1. Projected future supply

Under the announced PHRP, the Victorian Government has indicated that the policy will provide for a 10% increase in the number of public housing dwellings over a five year period. For the purposes of this report, we have assumed a uniform 10% increase in the number of social housing dwellings across each site, which would account for an additional 368 new social housing dwellings in the three cities covered by this analysis.

Based on this assumption, it is expected that the count of social housing dwellings would total 4,314 in the three cities by 2022 (see Table 4.1 below).

Table 4.1: Projection of future supply of social housing dwellings under PHRP

LGA	Public Housing	Community Owned	Total current social housing dwellings	Projected new dwellings under PHRP	Total social housing dwellings at 2022
Bayside	1,201	93	1,294	120	1,414
Boroondara	702	83	785	70	855
Stonnington	1,783	84	1,867	178	2,045
TOTAL	**3,686**	**260**	**3,946**	**368**	**4,314**

Source: Department of Health and Human Services *Social housing and specialist homelessness services additional service delivery data 2015-16*

4.2. Maintaining social housing at its current level

Currently, the revealed demand for social housing in Victoria is greater than current supply as indicated by waiting lists for social housing accommodation. While the revealed demand is a subset of total demand (with total demand not being currently quantified), it is still possible to identify the extent to which the PHRP will increase the stock of social housing dwellings relative to the expected requirement for social housing in 2022 (based on the current rates of provision).

Based on our review of the available research and relevant government agency reports, the future demand for social housing will be a function of the following factors:

▪ People in existing households as adults exiting relationships and one or more occupants moving out of the existing dwelling

▪ People leaving the parental home or foster parent home and starting independent living with limited financial resources

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- People with insufficient financial resources to continue to rent independently from private landlords

- People who are paying off a home who run into financial difficulties and are forced to sell.

Given the above and based on the available data, we determined that the most practical means of estimating the future need for social housing was to consider the minimum level of social housing that would be required in each city to maintain current rates of provision, given the expected increase in the number of households in each city.
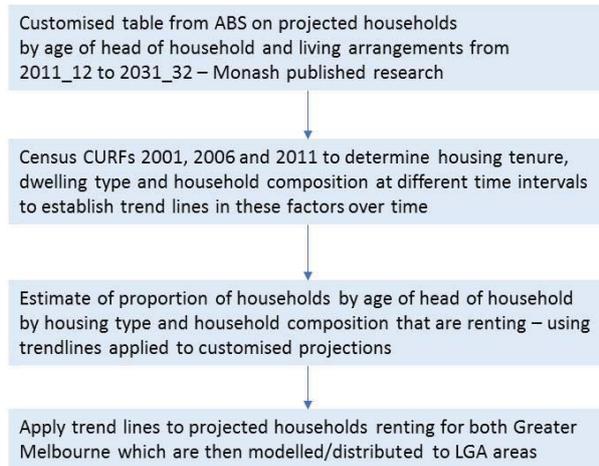
The methodology applied to estimate the minimum level of social housing needed in each city was the following:

- We commissioned a dataset from the ABS based on their population projections which detailed the breakdown of the Greater Melbourne population by age of the head of household for the years 2011-12 and 2021-22

- By assuming population aging in place, we used this data to estimate the number of new households that would be formed in Greater Melbourne between 2011-12 and 2021-22

- We then calculated the current ratio of public housing properties in Greater Melbourne that were accounted for by the three cities of Bayside, Boroondara and Stonnington (5% based on the most recently published data on social housing dwellings in Victoria[11])

- Finally, we applied this ratio to the total number of new households that are expected to form between 2011-12 and 2021-22 to determine the additional requirement for social housing to maintain the current rates of provision.

This is detailed in Figure 4.1 below.

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[11] https://dhhs.vic.gov.au/file/2266/download?token=xR4Vd6wz

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Figure 4.1 Methodology for estimating social housing shortfall

Customised table from ABS on projected households
by age of head of household and living arrangements from
2011_12 to 2031_32 – Monash published research

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Census CURFs 2001, 2006 and 2011 to determine housing tenure,
dwelling type and household composition at different time intervals
to establish trend lines in these factors over time

↓

Estimate of proportion of households by age of head of household
by housing type and household composition that are renting – using
trendlines applied to customised projections

↓

Apply trend lines to projected households renting for both Greater
Melbourne which are then modelled/distributed to LGA areas

The reason we have decided to use age of head of household as a key variable is that the habitation patterns of new households is directly related to the age of the head of household at the time the new household is formed – younger people are more likely to rent (in apartments, flats or units) while new households for people in their mid-30s and older are predominantly in detached houses.

Based on this model, we estimated the overall demand in 2022 for housing in Greater Melbourne by type of dwelling is forecast to require an additional 329,793 detached houses, 87,729 semi-detached dwellings and 145,920 apartments. These new dwelling projections were then pro-rated to the current household counts in each of the three cities and the minimum requirement to maintain current rates of social housing provisioning in each city was then calculated. These are shown in Table 4.2 below.

Table 4.2: Projection of social housing requirements for each city by 2022 (based on current rates of provision)

LGA	Projected requirement for social housing dwellings
Bayside	1,773
Boroondara	1,076
Stonnington	2,558
TOTAL	**5,407**

Source: NERA and Sensing Value forecasts based on ABS projections

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4.3. Potential shortfall in social housing

Under the PHRP, the Victorian Government expects to achieve a 10% increase in the provision of public housing dwellings over a five year period[12]. This would result in an expected count of social housing dwellings of 4,314 in the three cities at 2022

Based on the methodology applied in this report, it is estimated that a minimum of 5,407 social housing dwellings will be required by 2022 to maintain the current rates of provision for social housing in each of the three cities. As outlined in Table 4.3 on the following page, we estimate that by 2022 there could be a potential shortfall in the range of 1,093 social housing dwellings in the three cities covered in this report.

We note that the shortfall may not represent the full extent of demand for social housing in the three cities, as it does not factor in a number of relevant considerations such as current and future waiting lists, dwelling types and potential drivers of future demand such as family violence.

Table 4.3: Summary of projected shortfall of social housing in the three cities

LGA	Public Housing	Community Owned	Total current social housing dwellings	Projected new dwellings under policy	Projected requirement for social housing by 2022	Shortfall in social housing dwellings
Bayside	1,201	93	1,294	120	1,773	359
Boroondara	702	83	785	70	1,076	221
Stonnington	1,783	84	1,867	178	2,558	513
TOTAL	**3,686**	**260**	**3,946**	**368**	**5,407**	**1,093**

Sources: Department of Health and Human Services *Social housing and specialist homelessness services additional service delivery data 2015-16*, NERA and Sensing Value forecasts based on ABS projections

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[12] As of the publication of this report, Stage One of the PHRP has been announced, covering an initial nine sites across Victoria

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Appendix A.   Bibliography and references

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