

## Report to the Future Melbourne Committee

Agenda item 6.2

### Key Worker Housing Definition

5 September 2023

**Presenter:** Vijaya Vaidyanath, CEO Homes Melbourne

#### Purpose and background

1. The purpose of this report is to seek Future Melbourne Committee approval of the proposed definition for key worker housing and next steps.
2. City of Melbourne is committed to delivering more affordable housing within the municipality, understanding that housing is essential infrastructure for the city and vital to the functioning of society and the economy. Facilitating housing for key workers is a priority identified within the Affordable Housing Strategy and also listed in the Council Plan Major Initiative 44 – “... *to coordinate and facilitate more affordable housing for key workers and people on low-incomes...*”
3. While the terms ‘key worker’ and ‘key worker housing’ are frequently used in public policy discussions, there is no accepted definition and there are many interpretations from different stakeholders, including the development sector. This creates risks in implementation and inconsistent approaches in the delivery of key worker housing, resulting in affordable housing not reaching those who need it the most.
4. Further, the concept of ‘key workers’ (also referred to as ‘essential’ or ‘frontline’ workers) was highlighted during the COVID-19 pandemic and commonly understood to refer to people employed in occupations that are critical to the functioning of the city. The understanding of what constitutes a key worker generally remains linked to this pandemic setting.
5. To establish a definition, management has undertaken research to determine the challenges and issues faced by key workers in the City of Melbourne, including detailed data analysis of more than 200 occupations, to understand where workers live, their incomes and occupation type. This research was complemented by community engagement with over 300 local workers to test and refine the findings.
6. The purpose of this research is to define key worker housing within the City of Melbourne. This will provide clarity on the term, ensure key worker housing is affordable, and assist with advocacy to the state and federal governments. The proposed definition is considered a draft to commence detailed engagement. It will be tested with industry stakeholders including but not limited to the development and housing sector, and refined for a final recommendation in Quarter 1 2024.

#### Key issues

7. Key workers are critical to the functioning of the city, but with rental prices increasing faster than wages, many of these workers earning very low to moderate incomes commonly face housing stress and long commutes.
8. The research showed that the City of Melbourne has more key workers than any local government area in Victoria, and that key workers on very low to moderate incomes face high levels of housing stress. It highlighted the importance of ensuring that key worker housing is targeted to those most vulnerable to housing stress on very low to moderate incomes (refer Attachment 2).
9. The proposed definition for key worker housing is: “Affordable rental housing that is appropriate for people who work within the City of Melbourne, who require a physical presence to perform their work, and whose household earns very low, low or moderate incomes. The housing must be allocated and monitored by a Registered Housing Agency.”
10. This definition is modelled on the existing definition of affordable housing in the *Planning and Environment Act 1987*, and can therefore leverage existing legislative instruments and implementation processes. These instruments establish eligible income levels for affordable housing that are utilised by the proposed definition. Key worker housing can be considered a ‘subset’, rather than a ‘new’ type of affordable housing.

11. The definition includes further criteria that focuses on housing local workers who require a physical presence to perform their work. Rather than requiring tenancy management from a registered housing agency, the definition requires allocation and annual monitoring from a registered housing agency so that key worker housing could be implemented across different housing models such as 'build-to-rent'.
12. Importantly, the definition is linked to income levels and does not establish a list of occupations that comprise key workers. The supply of labour and labour markets are complex, influenced by many factors and are changeable over time. A definition that includes a list of occupations is not considered to be necessary or functional at this stage, and would require regular updating as labour market conditions change.
13. It is anticipated that the definition will be used to inform negotiations with developers for voluntary affordable housing contributions. Similar to existing affordable housing negotiations, it would be secured via an agreement under section 173 of the *Planning and Environment Act 1987*. Regular monitoring and reporting requirements would be included in any agreements. The administrative burden associated with the implementation of this definition is not significant, and can be accommodated with existing resources.
14. This definition and the policy context is evolving and it is important that management test an endorsed draft key worker housing definition with stakeholders to refine the definition and its application. If relevant policy or a definition is introduced at a state government level, a review of the definition will be undertaken.
15. A list of frequently asked questions and responses is also included as Attachment 3.

### **Recommendation from management**

16. That the Future Melbourne Committee:
  - 16.1. Approves the following draft key worker housing definition: "Affordable rental housing that is appropriate for people who work within the City of Melbourne, who require a physical presence to perform their work, and whose household earns very low, low or moderate incomes. The housing must be allocated and monitored by a Registered Housing Agency."
  - 16.2. Requests management to test and refine the draft definition and its application with the housing sector and relevant stakeholders.
  - 16.3. Requests management report back a final policy position and implementation plan to Council in Quarter 1 2024.

### **Attachments:**

1. Supporting Attachment (Page 3 of 28)
2. Defining Key Worker Housing (Page 4 of 28)
3. Frequently Asked Questions (Page 23 of 28)

## Supporting Attachment

---

### Legal

1. No direct legal issues arise from the recommendation from management.

### Finance

2. There are no financial implications.

### Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

### Health and Safety

4. In developing this proposal, no occupational health and safety issues or opportunities have been identified.

### Stakeholder consultation

5. A community engagement process was undertaken to test the findings in the ABS data analysis outlined above and to gain insights into the housing preferences of key workers. The online survey received 304 responses. 94 of the respondents were classified as key workers who would be eligible for key worker housing. The research found that key workers earning very low to moderate incomes are experiencing housing stress, and are interested in moving to the City of Melbourne if rents were more affordable (refer Attachment 2).
6. In addition to engagement with the community, the property sector, community housing sector, Homes Victoria and the Department of Transport and Planning have been engaged on this approach and their feedback has informed the definition. These stakeholders do not currently have a key worker housing definition linked to income and are following this work with interest.

### Relation to Council policy

7. Major Initiative 44 of the Council Plan 2021–25 requires Homes Melbourne to 'facilitate more affordable housing for key workers'. Priority 3 of the Economic Development Strategy 2031 is to increase 'the supply of housing for city workers'. Priority 5.4 of the Affordable Housing Strategy requires Homes Melbourne to facilitate affordable rental housing for key workers. There is currently no adopted definition of key worker housing in local or state government policy, despite being referenced in a range of documents.

### Environmental sustainability

8. In developing this definition, environmental sustainability issues or opportunities are not considered relevant.





# Defining Key Worker Housing

5 September 2023



## Why?

- Key worker housing is not defined in local or state government policy.
- CoM has more key workers than any local government area in Victoria. Key workers are critical to the functioning of our city, but with rental prices increasing faster than wages, lower income key workers face housing stress and long commutes.
- Without an endorsed position the state government and development sector are using varying terms or approaches, creating inconsistency in the market.
- The research helps us identify where efforts should be focused for key worker housing.

## Outcomes

- Support achievement of Council's objectives, including to inform development on CoM land, advocacy opportunities and planning permit approvals.
- Address a range of planning and housing policy aspirations.
- Facilitating affordable housing for key workers enables more productive, diverse, inclusive and resilient communities.
- Reduce commute times for key workers with resulting environmental and health benefits.
- Provide more housing options for local workers who earn very low to moderate incomes.

## 3.7%

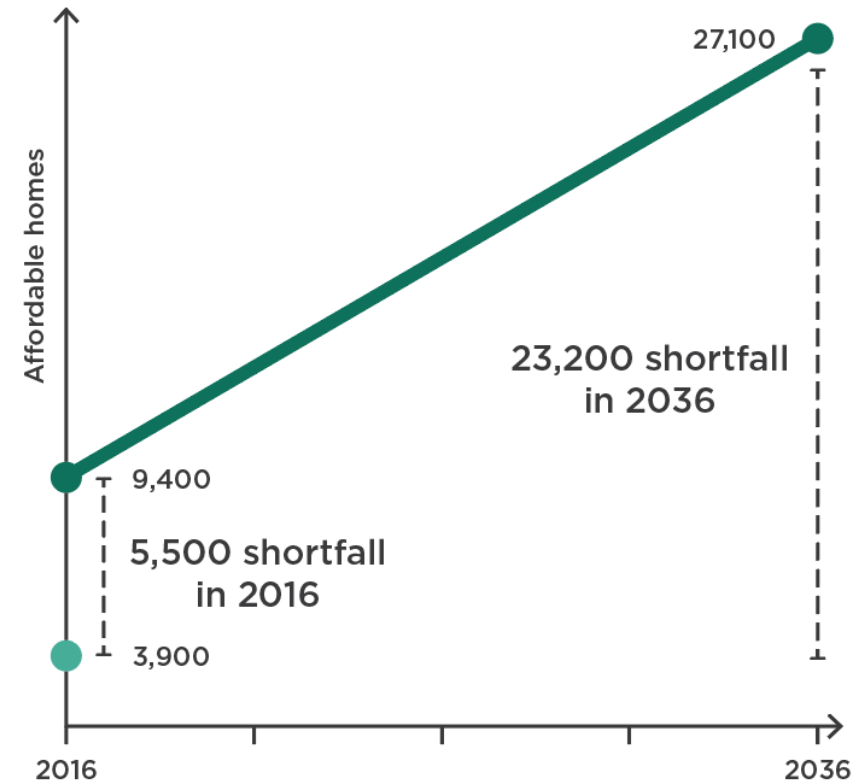
Growth in the Wage Price Index to March 2023  
ABS, 2023

## 15.5%

12-month change in Greater Melbourne unit rental rates  
CoreLogic, 2023

Wage growth is not keeping up with rental price increases. This is leading to significant rental stress, particularly for very low to moderate income households.

Existing and forecast demand for affordable housing in the City of Melbourne, 2016 - 2036



Key

● Existing supply of affordable housing

■ Homes needed for people experiencing housing stress

# What research did we undertake to inform this?

Page 7 of 28

<b>Date</b>	<b>Input</b>
07 February 2023	Scoping phase
12 February 2023	Internal workshop with relevant Council officers
June/July 2023	Detailed ABS data analysis undertaken to test initial thinking and understand demand
June/July 2023	Community engagement process completed to source insights from local workers
June/July 2023	Testing of findings with various internal and external stakeholders.
08 August 2023	Draft key worker definition was presented at Councillor Forum
05 September 2023	Key worker definition presented at Future Melbourne Committee meeting

## The research showed us:

- CoM has more key workers than any other Victorian LGA (approx. 142,000).
- 48% of CoM key worker households earn very low to moderate incomes.
- 20% of CoM key worker households earning very low to moderate incomes are in 'housing stress'.
- 'Traditional' key workers such as paramedics, firefighters and teachers are less likely to be in housing stress.
- 22% of key workers are travelling more than 30km to CoM.
- 64% of surveyed key workers are interested in moving to CoM.

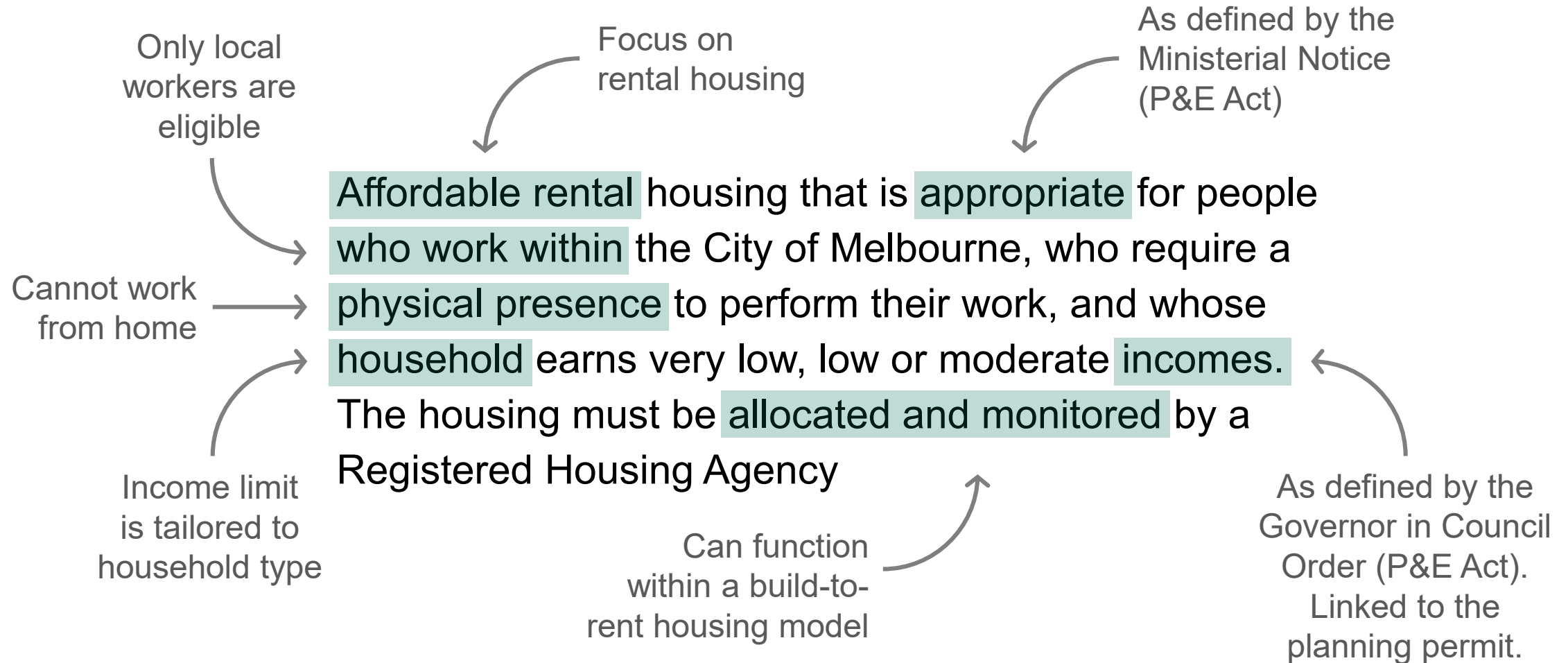
## This indicates:

- There is a need for more Affordable Housing in CoM for key worker households.
- Lower income key worker households would benefit most from subsidised rental housing.
- A definition of key worker housing that incorporates income limits is required.
- Application of the existing Affordable Housing income ranges (very low to moderate) is appropriate.



Affordable rental housing that is appropriate for people who work within the City of Melbourne, who require a physical presence to perform their work, and whose household earns very low, low or moderate incomes. The housing must be allocated and monitored by a Registered Housing Agency

# The proposed definition for Key Worker Housing



## Unpacking the definition

### **‘Affordable rental’**

Focusing on rental housing is consistent with the Affordable Housing Strategy. ‘Affordable’ means that rents are set at less than 30% of household income.

### **‘Appropriate’**

This term is defined in the Ministerial Notice in the P&E Act. Includes allocation, affordability, longevity, tenure, location, integration and need.

### **‘Who work within’**

Only people who work within CoM are eligible. Community benefit is retained locally and commuting distances are reduced.

### **‘Physical presence’**

Key workers are typically unable to work from home to perform their work activity.

### **‘Household’**

Only one member of the household needs to be a key worker, but rental stress is tested through income eligibility being based on the household income.

### **‘Incomes’**

Defined in the Governor in Council Order in the P&E Act. This utilises an existing regulatory tool that is updated annually.

### **‘Allocated and monitored’**

A housing provider must allocate tenants and monitor their eligibility. This utilises an existing regulated sector to ensure outcomes are achieved. Daily ‘management’ by a housing provider is generally not compatible with a build-to-rent model.

## Affordable housing eligibility income ranges, June 2023

Household type	Very low income	Low income	Moderate income
Single	Up to \$29,770	\$29,771 to \$47,630	\$47,631 to \$71,450
Couple	Up to \$44,650	\$44,651 to \$71,450	\$71,451 to \$107,170
Family	Up to \$62,510	\$62,511 to \$100,030	\$100,031 to \$150,030

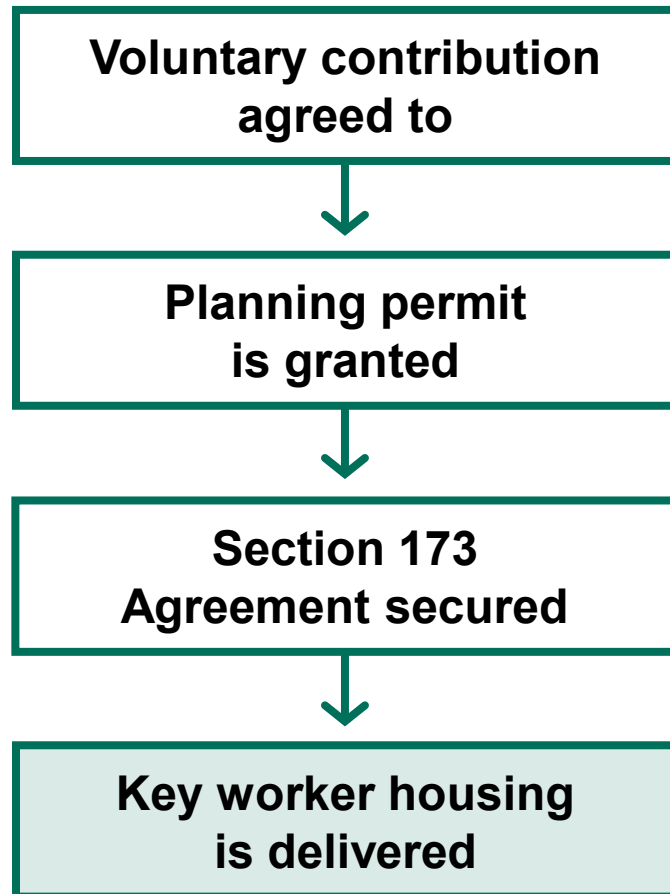
Planning and Environment Act, 1987

## Maximum affordable weekly rents for eligible households, June 2023

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

Planning and Environment Act, 1987





## Policy alignment

- Key worker housing is a type of affordable housing.
- It would be facilitated in the same way as affordable housing, using existing planning processes and regulatory tools.
- All key worker housing contributions would be voluntary agreements.
- To assist with alignment, the key worker housing definition is modelled on the affordable housing definition:

*“housing, including social housing, that is appropriate for the housing needs of very low, low, and moderate-income households”*  
(P&E Act)

## Implementation

### Research

- Reinforces and builds on research outlined in the Affordable Housing Strategy.
- Establishes a clear demand for Affordable Housing from key workers, as required by the Ministerial Notice in the P&E Act.

### Advocacy

- Provides a strong advocacy platform for local, state and federal government policy to ensure community benefit is realised.
- Establishes a policy position that could be refined through implementation, testing and iteration with industry and government partners.
- Ensures affordable housing is being delivered for our most vulnerable residents, including those who are key workers.
- Maximises our ability to optimise opportunities on state (and others land) within the municipality e.g. Arden.

### Delivery

- Informs affordable housing projects being delivered on CoM land.
- Assists with assessment of planning permit applications that are seeking to include key worker housing.





**CITY OF MELBOURNE**

**MELBOURNE.VIC.GOV.AU**

© City of Melbourne

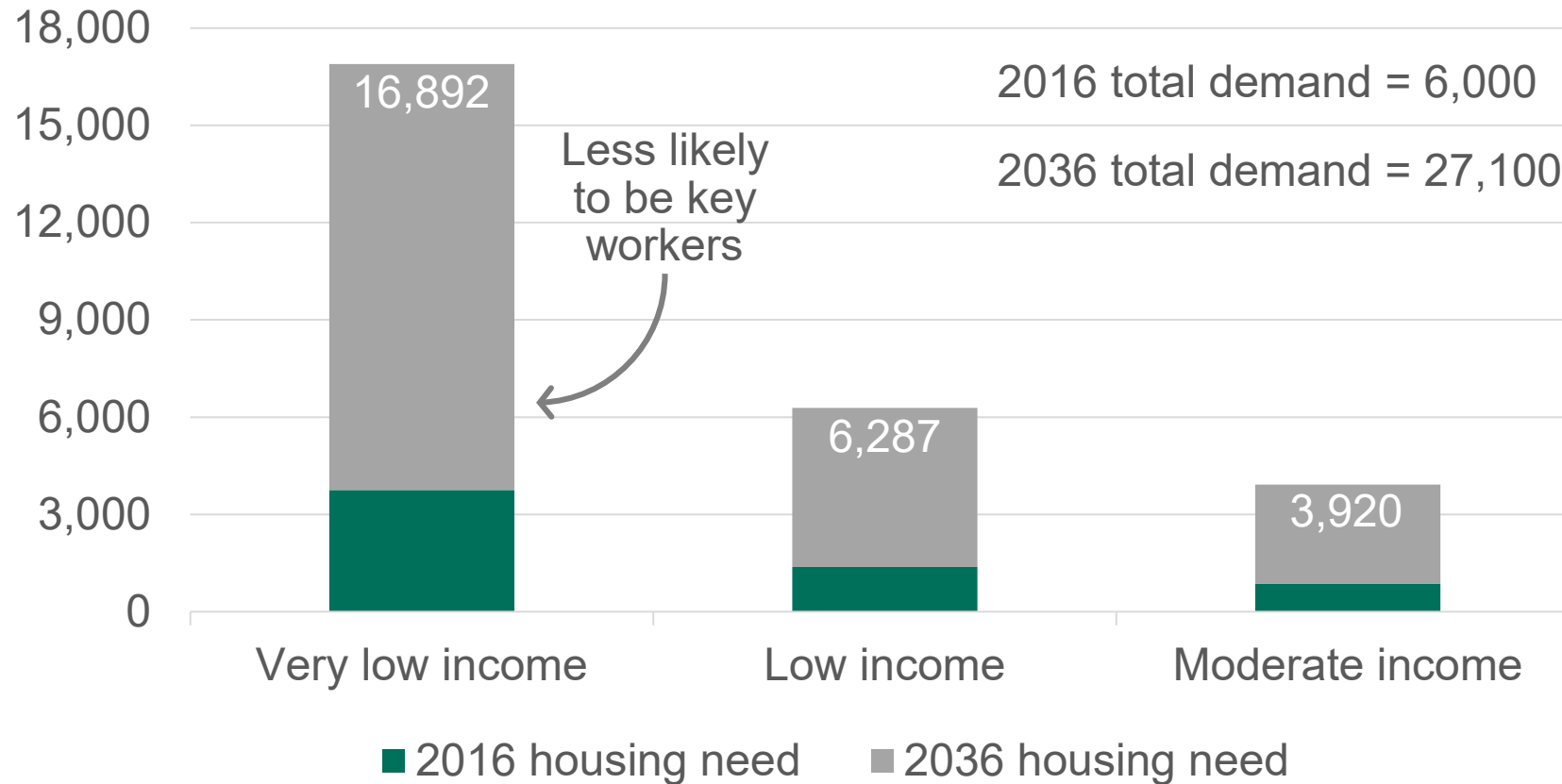


# Appendix

## Background information

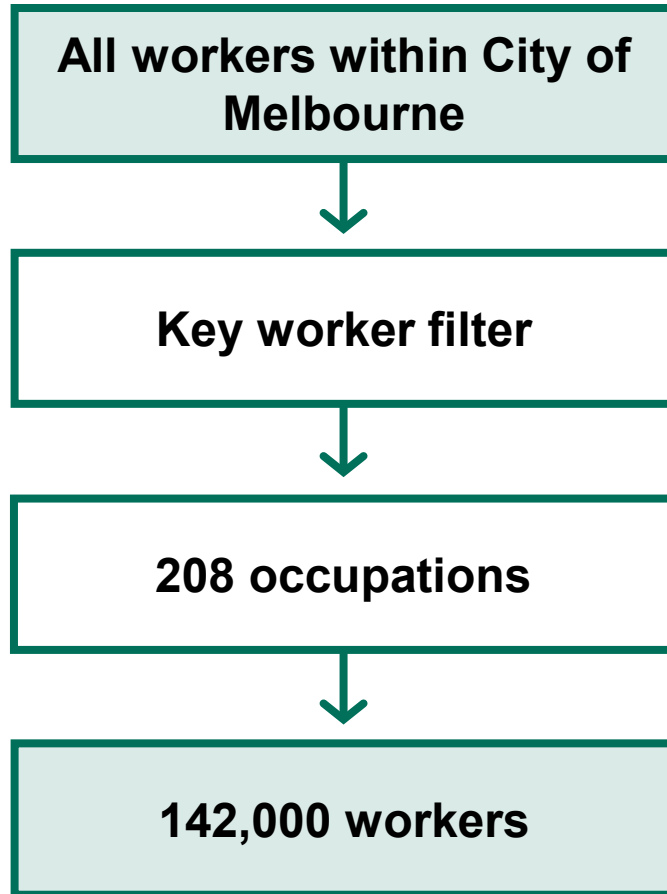


## Forecast demand for affordable housing by income range to 2036



SGS Housing Needs Analysis, 2019

## ABS data analysis



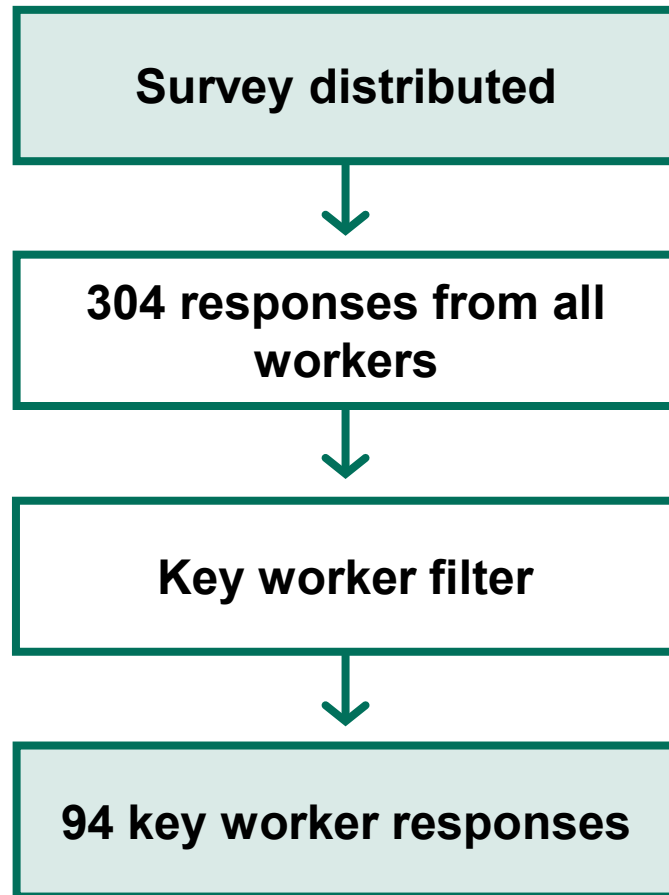
- CoM has more key workers than any other Victorian LGA
- Key workers make up 28% of the total CoM workforce
- 48% of key workers are born overseas
- 42% of CoM key workers commute more than 20km to CoM
- 48% of CoM key worker households earn very low to moderate incomes
- 20% of CoM key worker households are in 'housing stress' (vs 11% in Greater Melbourne)

ABS census of population and housing, 2021.

## Very-low to moderate income earners by industry, CoM 2021

Industry	Very low income	Low income	Moderate income	Total employment	# very low to mod. earners	% very low to mod. earners
Accommodation and Food	27%	20%	27%	21,842	16,163	74%
Professional, Scientific, Technical	4%	4%	8%	96,061	15,183	16%
Retail Trade	13%	16%	24%	16,496	8,746	53%
Health Care and Social Assistance	4%	5%	10%	41,418	7,743	19%
Financial and Insurance	2%	2%	6%	75,089	7,470	10%
Education and Training	9%	6%	10%	28,744	7,262	25%
Administrative and Support	9%	12%	21%	16,432	6,790	41%
Arts and Rec.	6%	8%	21%	13,910	4,873	35%
Public Admin. and Safety	1%	2%	5%	53,876	4,586	9%
Construction	4%	3%	8%	17,642	2,713	15%

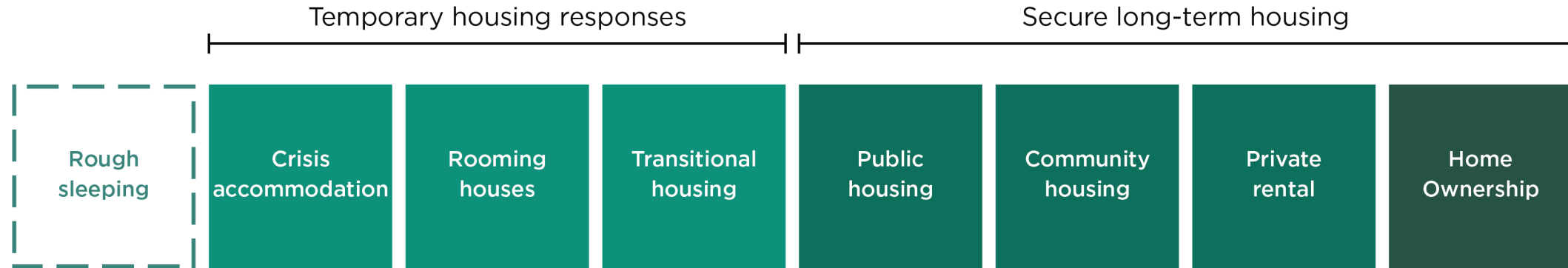
ABS census of population and housing, 2021. NB: Only the ten largest industries in CoM are shown.



- Community engagement was undertaken with all workers in the City of Melbourne.
- 304 online survey and intercept surveys were undertaken.
- Responses were consistent with the ABS data analysis.
- Key worker respondents were more likely to have lower incomes.
- Key worker respondents were more likely to drive to work.
- The most common response for moving to CoM was for 'more employment opportunities'.
- The most common response for not moving to CoM was the 'higher cost of housing'.
- 64% of key workers were 'interested' or 'very interested' in moving to CoM.



## The housing spectrum



Key worker housing could be provided through community housing, or in the private market with oversight from a Registered Housing Agency





**CITY OF MELBOURNE**

**MELBOURNE.VIC.GOV.AU**

© City of Melbourne





# Defining Key Worker Housing

Frequently Asked Questions (FAQs)

August 2023

## Overview

The City of Melbourne (CoM) is committed to increasing the supply of affordable housing and ensuring Melbourne is an inclusive and equitable city for all. Key workers are critical to the functioning of our city. Our research shows that as the cost of housing increases, key workers are increasingly living further from their jobs. Incomes are not increasing at the same rate as rental prices, creating rental stress where more than 30% of household income is spent on housing costs.

We want to encourage affordable housing that is accessible for a variety of tenant types. Key worker housing is one type of affordable housing that is targeted to workers that provide an essential service in our city. This is not a mandatory requirement, it is a negotiated outcome as part of the planning permit application process. To achieve a consistent approach, we've developed a definition of a key worker housing for use in planning decisions. This is important because the term is not currently defined. The definition is based on research, engagement and existing policy guidance.

The definition could be used by other governments to address this important issue and ensure that key worker housing is directed to those on very low to moderate incomes who are more likely to experience housing stress. The definition establishes a policy position that could be refined through implementation, testing and iteration with industry and government partners. It addresses a policy gap and refines what a key worker is, at a time of significant discussion. Without an endorsed position the state government and development sector are using varying terms or approaches, creating inconsistency in the market.

CoM has defined key worker housing as "Affordable rental housing that is appropriate for people who work within the City of Melbourne, who require a physical presence to perform their work, and whose household earns very low, low or moderate incomes. The housing must be allocated and monitored by a Registered Housing Agency".

## Key data points

- The City of Melbourne has approximately 142,000 key workers, with this workforce projected to be over 210,000 workers by 2041.
- 20% of City of Melbourne key worker households are in housing stress (paying more than 30% of their gross household income on housing).
- 42% of key workers commute more than 20km to the City of Melbourne, and this figure is growing over time.
- 65% of key workers who responded to our survey are 'interested' or 'very interested' in moving to the City of Melbourne. A typical affordable housing subsidy could accommodate the location, housing type and pricing preferences of surveyed key workers.

## Key worker housing FAQs

### 1. What problem is key worker housing trying to solve?

Key workers earning very low to and moderate incomes are experiencing housing stress and many are unable to afford to live in CoM. In some instances, these workers then need to travel long distances to work.

The nature of key worker jobs mean that a physical presence is required and they often work outside of regular business hours. This is not only an equity issue, but ensures that CoM can continue to attract workers that provide essential services in our city.

### 2. Who is key worker housing for?

Key worker housing is for people who work within CoM, who need to be physically present at their job, and whose household earns very low to moderate incomes.

### 3. What are the very low to moderate income levels?

Household incomes that are eligible for affordable housing in Victoria are established by the Planning and Environment Act and are updated annually. Income ranges as of June 2023 are outlined below.

Household type	Very low income	Low income	Moderate income
Single	Up to \$29,770	\$29,771 to \$47,630	\$47,631 to \$71,450
Couple	Up to \$44,650	\$44,651 to \$71,450	\$71,451 to \$107,170
Family	Up to \$62,510	\$62,511 to \$100,030	\$100,031 to \$150,030

### 4. How did we land on this definition?

This definition builds on an existing affordable housing definition within the planning system, and is informed by our own research, data analysis and engagement with industry and community.

### 5. Why didn't we adopt the list of key workers used during the COVID-19 pandemic?

The pandemic highlighted the importance of the mobility of workers during a crisis. However, these circumstances are very different to the post-pandemic recovery phase. During the pandemic, essential worker definitions changed over time and initially focused on the health response. The definition was about enabling movement and the continued function of those industries during an emergency.

The pandemic era definition did not account for income levels, did not seek to mitigate housing stress, and was not focused on creating a liveable, inclusive city. Our research has shown that there are workers in a broad range of occupations that travel long distances for work, and earn low to moderate incomes. These occupations don't align directly with the list of essential workers identified through the pandemic.



## **6. What is a Registered Housing Agency?**

A Registered Housing Agency is a not-for-profit organisation that operates, and may own or construct affordable housing units. These agencies are regulated by the Victorian Government. The term registered housing agency applies to both housing associations and housing providers. These organisations are also commonly referred to as community housing organisations or community housing providers.

## **7. Why do we need a definition of key worker housing?**

There is currently no adopted definition of key worker housing in local or state government policy. Planning permit applicants have recently sought to apply their own definition, with varying levels of impact on addressing housing stress in CoM. An adopted definition would inform future affordable housing projects on Council land, assist advocacy opportunities with state and federal governments, and provide clarity to the development industry when delivering affordable key worker housing through the planning permit process.

## **8. Would this affect any current planning permit applications or existing planning permits?**

Planning permit applications submitted before the adoption of a key worker housing definition would not be required to comply with the definition.

## **9. Has any consultation been undertaken on this research?**

A community engagement process was undertaken to understand the housing needs and preferences of key workers. Early research and the draft definition have been discussed with relevant internal divisions and state government stakeholders.

## **10. Why doesn't the definition require the housing to be 'managed' by an RHA?**

Voluntary affordable housing contributions are most commonly achieved through larger planning permit applications. Recently, these larger proposals have generally been for build-to-rent (BTR) housing. The BTR model operates effectively at scale, with a large number of units managed by a single tenancy manager.

In recent negotiations, BTR operators have been unwilling to allow an RHA to manage a portion of their units as it impacts the efficiencies of a large corporate landlord, and introduces additional costs. It also influences the 'tenure blind' experience of affordable housing tenants if their routine tenancy management tasks are completed by an off-site registered housing agency.

The ABS data analysis indicated that most key worker households are earning moderate rather than very low incomes. Moderate income households generally require fewer wrap-around services to maintain their tenancy when compared to very-low income earners.

Taking all these elements together, allowing ongoing tenancy management by someone other than a registered housing agency is considered appropriate. However, to provide assurance and oversight, an RHA must be engaged to allocate the affordable housing, and to provide an annual report. This will ensure the housing is allocated to eligible households, that rents are set at an appropriate level, and that there is ongoing compliance and monitoring of the affordable housing.

### **11. What about homes for purchase, or first-home buyers?**

The key worker housing definition only applies to affordable rental housing as directed by Priority 5.4 of the Affordable Housing Strategy. The focus of the strategy is facilitating affordable housing and reducing housing stress for the two-thirds of CoM households who rent their home. Discounted purchase schemes or shared equity models could still be delivered under existing planning processes, they would be considered 'affordable housing' rather than key worker housing.

### **12. Will this be mandatory in any locations?**

There are currently no mandatory requirements for affordable housing contributions in CoM. Any key worker housing delivery is voluntary, and would generally be negotiated through the planning process.

### **13. How will the definition be implemented through the planning permit process?**

Key worker housing is one type of affordable housing. It would be delivered through the planning permit process in the same way as any other affordable housing. A voluntary contribution would be agreed to outlining the relevant variables, a planning permit would be granted, a Section 173 agreement would be signed and the key worker housing would then be delivered in line with the endorsed CoM policy definition.

### **14. Would part-time workers be included?**

As this project is not purely focused on extracting maximum economic output, part-time workers are eligible for key worker housing provided they meet the eligible income ranges outlined in the definition. Many people work part-time because they have critical commitments outside of work. They may provide unpaid care for a family member, they might have a chronic health condition, or they may be undertaking further education to upskill in their role.

Although the proportion of CoM key workers who work part-time is high, it is important to consider that the ABS definition of 'part-time' is someone who works less than 35 hours per week. It's likely that some key workers are employed in roles with high rates of casualisation that work less than 35 hours per week.

### **15. Should we prioritise people working outside of traditional business hours?**

One defining characteristic of a key worker is that they commonly work outside of traditional business hours. Although useful for understanding the commuting behaviour of key workers through the research process, it is difficult to monitor. This characteristic should not be a requirement when allocating key worker housing to tenants.

### **16. Why aren't any specific industries or occupations targeted for this housing?**

An analysis of existing gaps in the CoM labour market was outside the scope of this project. The key worker housing definition does not target the delivery of housing for specific occupations where there may be high levels of vacancies. The definition does not preclude further economic analysis on this topic. Partnerships between CoM, registered housing agencies and employers could still be established to deliver key worker housing for specific occupations using this definition.

### **17. What's the difference between affordable housing and key worker housing?**

Key worker housing is one type of affordable housing. It will be delivered through a voluntary affordable housing contribution, and secured with a Section 173 Agreement.

### **18. Why do tenants need to work in the City of Melbourne to be eligible for key worker housing?**

There is a significant shortfall of affordable housing for key workers in the municipality. The city needs more housing that key workers can afford and is located close to where they work. For this reason it is important that we make key worker housing available to people who work within the City of Melbourne. This will provide the greatest benefit in terms of reducing commuting times, increasing staff retention and productivity, and re-activating the city after the pandemic.

### **19. Is this key worker housing definition a replicable model?**

The key worker housing definition could be replicated in LGAs across Victoria as it is designed to align with existing affordable housing legislation and planning permit processes. Some LGAs may wish to vary the requirements and the definition could be adapted to respond to the local context and location specific drivers.

The definition would be applicable to the housing needs of key workers in other capital city LGAs, but would likely need amendments to ensure that it aligns with the relevant state government affordable housing legislation.

Homes Melbourne is committed to sharing our research with colleagues in the M9 group of Councils, the Municipal Association of Victoria, the Council of Capital City Lord Mayors and the Victorian Government. Consultation and advocacy through these organisations has helped to inform the key worker housing definition, and will enable more key workers to access appropriate and affordable housing across Australia.