

Barwon South West A Vision for Key Worker Housing

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A Vision for Key Worker Housing

Key workers are welcomed into our region as valued and skilled residents contributing to the vibrancy of our economy and communities

Key worker housing is essential infrastructure that:

- Ensures the prosperity and growth of our agricultural and tourism industries
- Helps to revitalise our aging workforce
- Enables workers from outside our region to experience the lifestyle and affordability benefits of our region
- Ensures our communities incorporate the skills needed to service our health, education, justice and welfare needs
- Helps new residents to the region experience our region before committing over the long term.

Why We Need Key Worker Housing

Key workers are critical to the continued and orderly function of our community and underpin our region's leading industries.

There are currently 47,800 key workers in our region including:

- teachers, doctors, nurses, health care and justice workers
- tourism hospitality and retail workers
- agriculture, energy and constructions workers

Key workers are required to be physically present in their workplace and often work unpredictable hours.

Our region enjoys unparalleled lifestyle advantages and plentiful jobs. The capacity for workers and skilled households to access the benefits of our region is blocked by a lack of housing in the communities that need their services and skills.

We need housing for workers to sustain our economy and renew our aging communities.

Key Worker Housing Regional Needs

To achieve sustained prosperity our region needs to work collectively and strategically to facilitate market and non-market housing for workers.

Funding Support

Carefully targeted development funding is needed to shift the viability of key worker housing development projects. The region incorporates a range of prospective infill and greenfield housing development sites for which funding can help unlock development.

In providing key worker housing development funding, Federal and State governments are encouraged to fund:

- site preparation and remediation
- infrastructure provision
- construction finance
- mixed social, private market and key worker outcomes
- relocation and consolidation of local government facilities to other locations

Development analysis of potential project sites identified the need for funding to secure long term financial viability.

A Pipeline of Sites



Expanding the region's housing supply for all households including key workers is multi-faceted long term task.

Dedicated key worker housing has an important role in our housing solution. Dedicated key worker housing is housing developed and managed for the purpose of supporting the needs of key workers near their workplace.

Such housing provides more stable housing circumstances for workers which means higher rates of worker retention, financial and social benefits for workers, and enhanced employment attraction for employers. Such housing can also function as a stepping stone into a long term commitment to the community.

The region has identified a number of sites able to incorporate dedicated key worker housing. This includes:

Simpson - proposed key worker housing precinct

Anglesea - key worker housing incorporated into the renewal of Anglesea's community hub

Hamilton - potential key worker precinct.

These and other identified potential key worker sites need a range of support including remediation, community engagement, facilitation and development support.

Key Worker Housing Regional Needs

Advocacy

The region requires reforms to boost key worker housing including:

- Reforming the criteria by which the National Housing Finance and Investment Corporation fund projects to include regional key worker projects.
- Reforming Victoria's Big Housing Build funding criteria to enable funding of regional key worker projects.
- Advocating for superannuation funds to invest in regional key worker housing, particularly funds with significant membership in regional Victoria.
- Investigation of reforms that would enable Community Housing Providers to own and manage key worker housing.

Planning Reform

Land use planning reforms are needed to establish the pre-conditions for key worker housing growth:

- Incorporation of key worker housing objectives in future regional housing planning.
- Recognition of potential key worker housing sites on private and public land in local planning.
- Reforming the definition of secondary dwellings in regional areas to enable key workers to access secondary dwellings.
- Investigating opportunities for major employers to deliver key worker housing on their land or on land in close proximity to employment.

Mortlake and Koroit Caravan Park



A shortage of affordable accommodation and skilled workers has led to the Shire Council finding new ways to support business and industry.

To date with the support of the Victorian State Government, eleven studio-style cabins have been delivered at the Mortlake and Koroit Caravan Parks.

Each cabin includes a queen-sized bed, living space with a couch, kitchenette with cooking facilities, flat-screen TV, and air conditioning. The cabins are fully booked and there is now a six-month waitlist for prospective workers which indicates that more cabins are needed.

The provision of the cabins recognises the shortage of affordable accommodation and skilled workers, which it says go hand in hand. It's also a win win for the community as new workers add to the life of the Shire.

Key Worker Housing Regional Needs

Innovation and Research

The task of delivering key worker housing in significant numbers across the region will require innovative thinking and experimentation.

- Continued support for the growth of the local manufactured housing sector.
- The development of specialised tenant agreements, advice and guidelines for the private and public sector to secure and manage key worker tenancies.
- Reimagining the use of public land to incorporate key worker housing.
- Researching the economic benefits of key key worker housing and conversely economic loss resulting from housing constraints.

Engagement and Communication

The region has successfully elevated the community's and government's understanding of the key worker housing challenge. There is further activity needed.

- Continued discussion with our communities on the need for key worker housing its benefits and the type of reforms needed to boost supply.
- Ongoing discussion and engagement with superannuation funds on opportunities to invest in regional key worker housing for their members.
- Ongoing discussion and engagement with state and federal government on funding and funding criteria.
- Ongoing discussion with the community housing sector on opportunities to develop and manage key worker housing and the reforms needed to secure their involvement.

Manufactured Housing



Manufactured housing is housing built in a factory and transported to a housing site. In the past, factory built homes attracted negative stereotypes related to quality. Today's manufactured houses and modules are built to high standards.

Today, the region is steadily growing its number of contemporary manufactured dwellings which are energy efficient, attractive, functional, water-efficient, resilient to wind and fire while providing a high standard of healthy indoor environmental quality. Manufactured housing is designed to be portable but new high quality manufactured housing tends to stay in place.

Growing our manufactured housing industry and networks is a potential answer to chronic housing and construction sector labour shortages.

The Victorian State Government is currently supporting regional Victorian manufacturer FormFlow through the Portland Diversification Fund to establish a housing manufacturing hub in Portland. The \$2.35 million housing manufacturing facility will be capable of producing up to 200 relocatable houses a year for the Glenelg Shire and surrounding regions.

How many dwellings are required to accommodate our worker needs?

To facilitate a more inclusive, economically dynamic and equitable community the region needs more housing.

Between 2011 and 2021 period, the region added approximately 13,300 new jobs at an annual average employment growth rate of 2.2%.

Replicating the 2011 to 2021 rate of employment growth over the 2021 to 2031 period would result in the region's employment base growing to 86,000 jobs, representing an increase of 17,000 jobs over the ten year period including 12,500 key worker jobs.

To accommodate this scale of worker growth the region would theoretically need to expand its housing supply to at least 1390 new dwellings per annum. This includes at least 1070 dwellings per annum to theoretically support key worker employment growth.

The region, however, over the past five years added an average of 1100 new dwellings per annum, including both resident homes and holiday homes (the region has over 15,000 non-occupied dwellings, many of which are holiday homes).

According to the above scenario, the region needs to boost its housing supply by an average of 290 dwellings per annum to replicate historic rates of employment growth both for key workers and other workers.

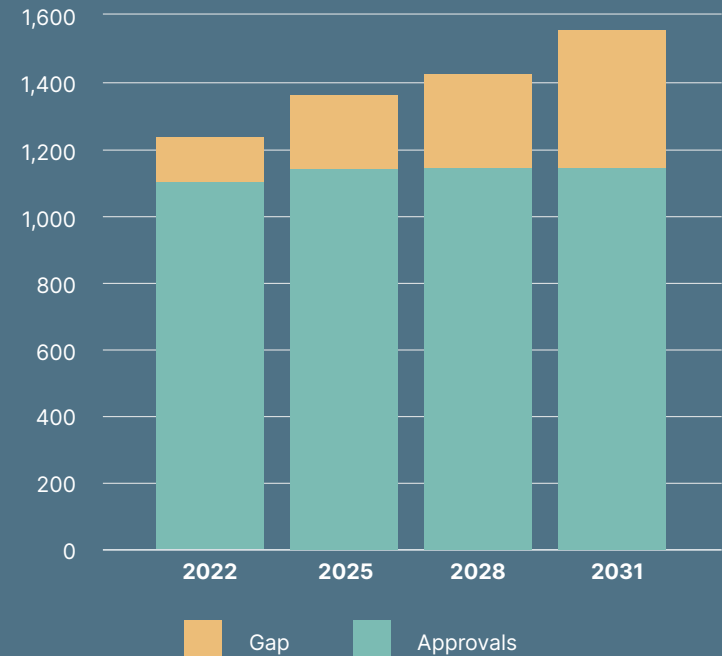


Chart 1: Scenario of Required Housing to 2031

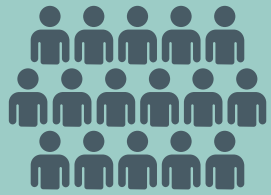
Scenario Assumptions:

- the region's occupied dwelling to worker ratio declines to .9 from .98
- 90% of the region's workforce lives within the region
- the region replicates 2011 to 2021 employment growth over the 2021 to 2031 period



Making the Case

Supporting Key Worker Housing



166,000
(People in 2022)



71,300
Households
(2021)



45
Median
Age (2021)

Population



69,600
Jobs (2021)

8.6 Billion
Gross Regional Output (2022)

60% Workforce
Participation
(2022)

Employment



6.2 Million
Annual Visitors
(2019)

1.3 Billion
Expenditure (2019)

2047 Tourism
Businesses
(2019)

Tourism

A Growing Barwon South West Region

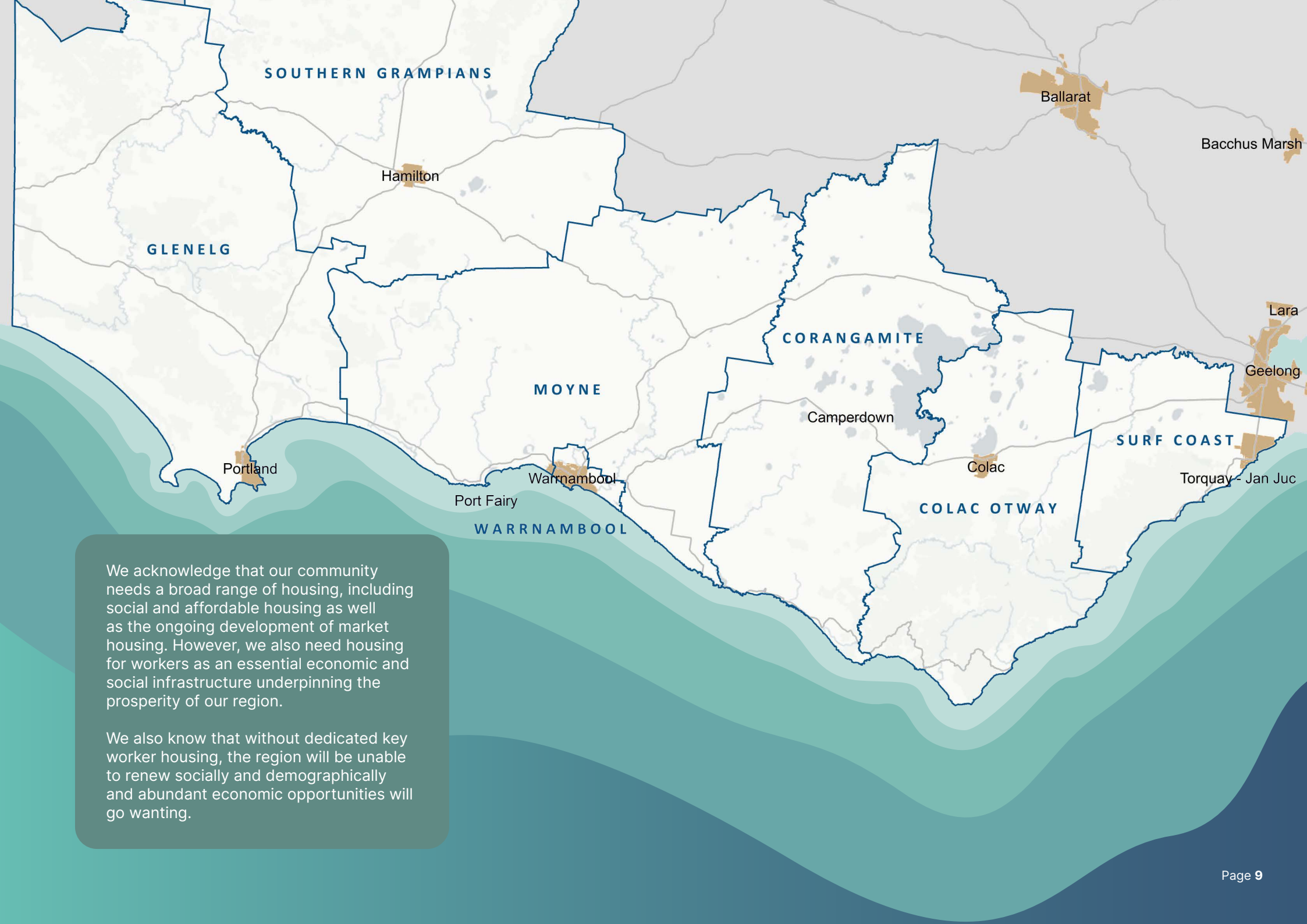
The Barwon South West Region comprises the Shires of Colac-Otway, Glenelg, Southern Grampians, Moyne, Corangamite, Surf Coast and the City of Warrnambool.

Our region encompasses the many scenic landscapes of the Great Ocean Road including the UNESCO World Heritage listed Budj Bim Cultural Landscape.

Our coastal settlements are vibrant tourist and holiday destinations whose populations fluctuate according to the seasons. The lifestyle benefits of coastal living has nonetheless resulted in the steady growth of the resident populations' of Anglesea, Lorne, Torquay, Apollo Bay, Port Fairy and Warrnambool which in turn is spurring further service and worker demand.

Our inland settlements are also growing. Colac, Hamilton and Cobden are major service, industry, health, administrative and education centres servicing surrounding agricultural industries and related food, fibre and forestry enterprises.

The region is one of Australia's leading exporters of agricultural and fishing products and home to one of the nation's largest deep-water ports at Portland.



We acknowledge that our community needs a broad range of housing, including social and affordable housing as well as the ongoing development of market housing. However, we also need housing for workers as an essential economic and social infrastructure underpinning the prosperity of our region.

We also know that without dedicated key worker housing, the region will be unable to renew socially and demographically and abundant economic opportunities will go wanting.

A Growing Community

As at 2022, the region supported an estimated population of 166,132 people. The region's population is growing adding on average 1,530 new residents per annum since 2011.

Average annual population growth has increased more recently to over 1,850 new residents per annum.

The Surf Coast Shire is the region's most significant population attractor accounting for 70% of the region's recent population growth. The Surf Coast Shire has added over 10,000 new residents since 2011 at an annual growth rate of over 3.4%. The City of Warrnambool is also growing adding over 240 new residents per annum since 2011 while each of the Shire's of Moyne and Colac Otway on average add a further 110 new residents to their populations annually.

As we grow our region is aging. Our median age is currently 45 years which is older than the Victorian average of 38 years and the regional average of 43 years. As a result, our over 55 year old workers make up more than 44% of the region's workforce which is well above the Victorian average of 34%. We also have many lone person households (18,400 households) which make up a quarter of our households.

Our lifestyle advantages and abundant jobs position us to attract young households, we just need more housing.

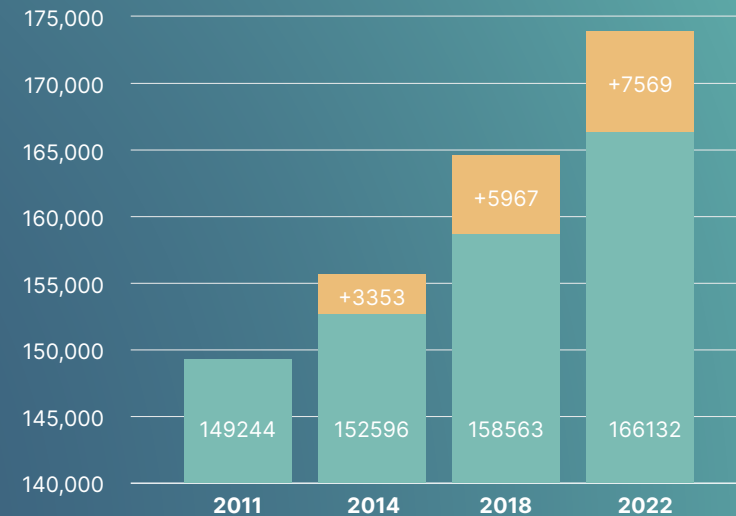
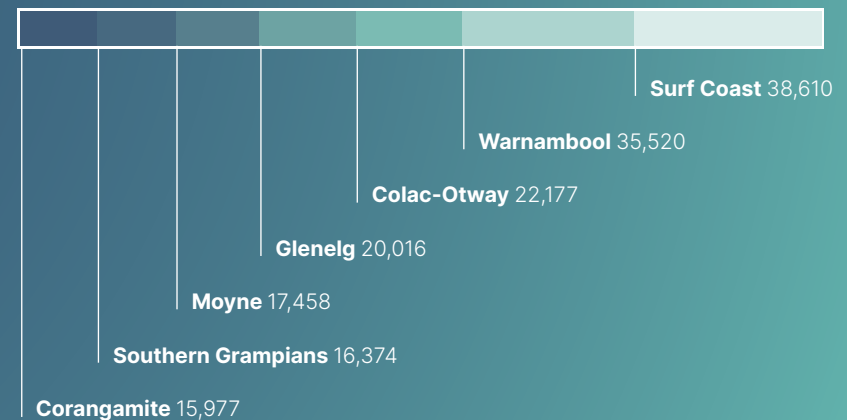


Chart 2: Population Growth 2011-2022 Barwon South West



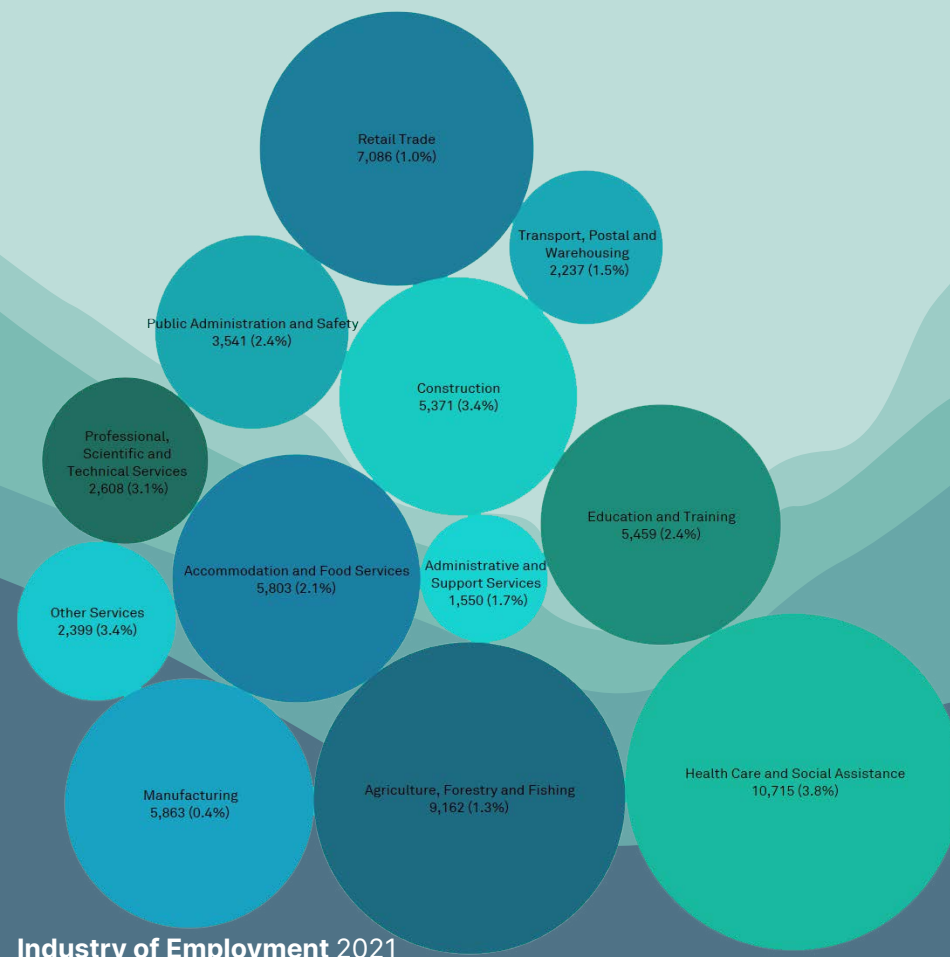
Population by Local Government Area Barwon South West 2022

A Growing Regional Economy Needs Labour

As our agriculture, health, tourism and construction sectors have grown our region has added over 13,600 new jobs since 2011.

Our region now incorporates more than 69,600 jobs with the vast majority (91% of jobs) filled by resident workers. This means, for the most part, our economy enjoys a high degree of self sustaining expenditure in which money earned in the region is also spent in the region locally by resident workers.

We have low levels of unemployment (2%) but also low levels of participation owing to our aging communities (60% participation rate at 2022).



Industry of Employment 2021

	Jobs Growth (2011-2021)	Average Annual Growth
Health Care and Social Assistance	3,440	3.8%
Construction	1,570	3.4%
Education	1150	2.4%
Arts and Recreation	300	3.8%
Professional Services	680	3.1%

Table 1: Leading Growth Sectors 2011 -2021

Housing is a Critical Economic Resource

Labour supply and housing diversity go together. Regional settlements that urgently need labour cannot fill job vacancies without diverse housing to accommodate workers.

Across regional Australia, an acute shortage of housing options has led regional Councils, including the Surf Coast and Colac Otway Shire Councils, to formally declare a "housing crisis!" The housing crisis across metropolitan and regional Australia is a genuine social and economic problem resulting from a dearth of affordable and diverse housing options in many communities.

Within our region once favourable housing conditions have deteriorated with flow on social impacts. Specifically, rising rents, a lack vacant rentals, and increasing house prices have resulted in challenging housing conditions that require a range of policy, planning and investment responses.

For our key workers and their industry sectors housing is a critical issue particularly the lack of available long term rental properties. Housing is a major barrier in both the attraction and retention of staff. Rental vacancy in the region is almost non-existent with some settlements along the region's coast having no vacant properties or only poor sub standard long term rentals.

Regional Story 1 - Local Teacher

"I'm 34 years old and am currently working full time as a teacher at Lorne P-12. I have lived in Anglesea for the past 10 years with my partner and prior to that grew up in Aireys Inlet (my parents still live in our family home).

We are currently living in an 2 bedroom apartment as it was the only place we could afford to live on two full time wages whilst trying to save for a house deposit.

Our previous rental shack (Asbestos, with no heating or cooling, two bedrooms with an outside bathroom add on) sold just prior to Covid for \$650,000 to some people from Melbourne who flip houses for a living.

We were politely asked to leave by the home owners so they could sell. We found that we had to stay with friends until a new rental became available, after several weeks finally one house became available with no other options, and we moved in, however the rent was \$150 more than the other house per week. The Real estate agent said we were lucky because many people would rather Airbnb their houses for \$250 a night or more over holidays and then just have the house sit there over winter.

Our rent goes up every year when we renew our lease and every year when it's getting close to this time we are call the real estate agency to check if we are going to have a house for the following year, or if we should start looking for another rental (which will no doubt be more expensive again)"



House Prices and Key Workers

The region's median house price is now \$561K having increased by \$227K since 2017 (or +40% growth in five years).

The region's house prices are largely unaffordable for low income key workers. At a minimum key workers need to earn at least \$77,000 per annum to enter into home ownership assuming they have saved a 20% dwelling deposit.

In general, the region's housing is affordable for moderate income key workers apart from housing markets in our coastal areas.

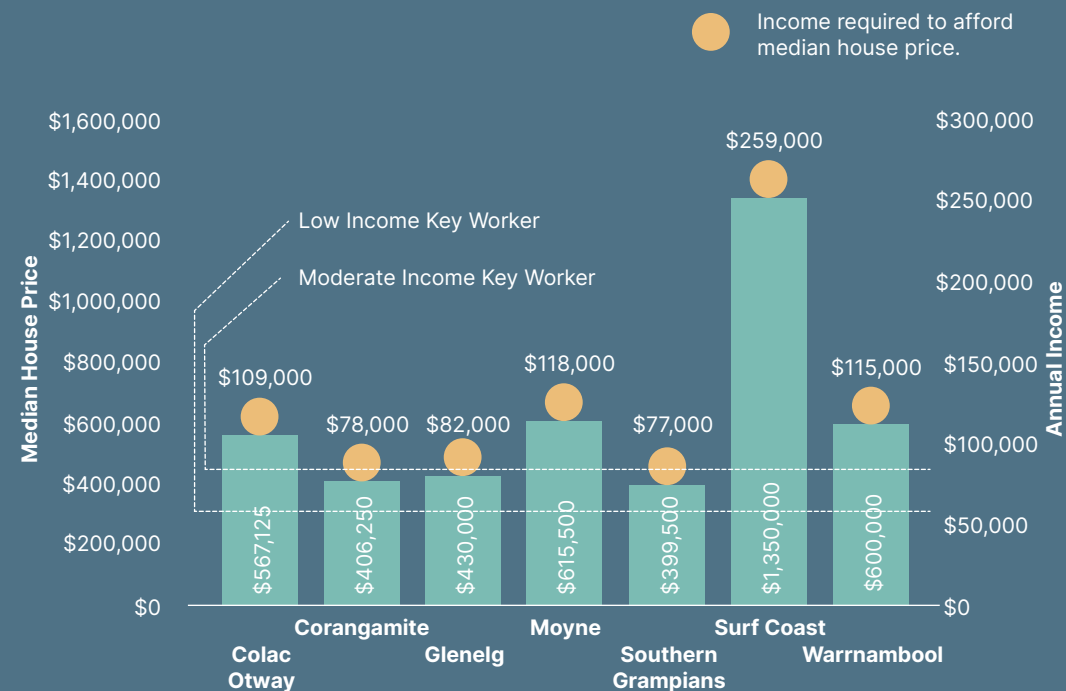


Chart 3: Regional House Prices and Key Worker Affordability 2022

Assumptions:

The above assumes a loan to value ratio of 80% and interest rate of 6%. To be deemed affordable the key worker should not spend more than 30% of their income on housing loan repayments. A low income key worker is assumed to earn \$55,000 per annum while a moderate income key worker is assumed to earn \$85,000 per annum.

Rents and Key Workers

Across the region, median rents have appreciated by +28% over the past five years equating to a \$123 per week increase.

At 2022, the region's median rent per week was \$395. Rents differ substantially across the region and by location. Median rents across the Surf Coast Shire are now in excess of \$540 per week, while in Colac Otway, Warrnambool, Glenelg and Southern Grampians median rents generally approximate \$380 per week.

In general, median weekly rents are unaffordable for all key workers earning in excess of \$70k per annum, outside of the Southern Grampians Shire. Conversely, median rents are theoretically affordable for most moderate income key workers outside of the Surf Coast Shire which requires an income of above \$94k for the household to avoid housing stress.

Regional Story 2 - Single Parent

“A single mother, with two children, who has lived in the region for many years, was searching for accommodation after their landlord refused to renew their lease. The family looked for local accommodation during the notice period but were unsuccessful in finding anything they could afford. They were forced to move to Warrnambool, a 25Km drive each morning for the children to attend school, and for the mother to attend work. They are not able to participate in the local community in the way they have for years.”

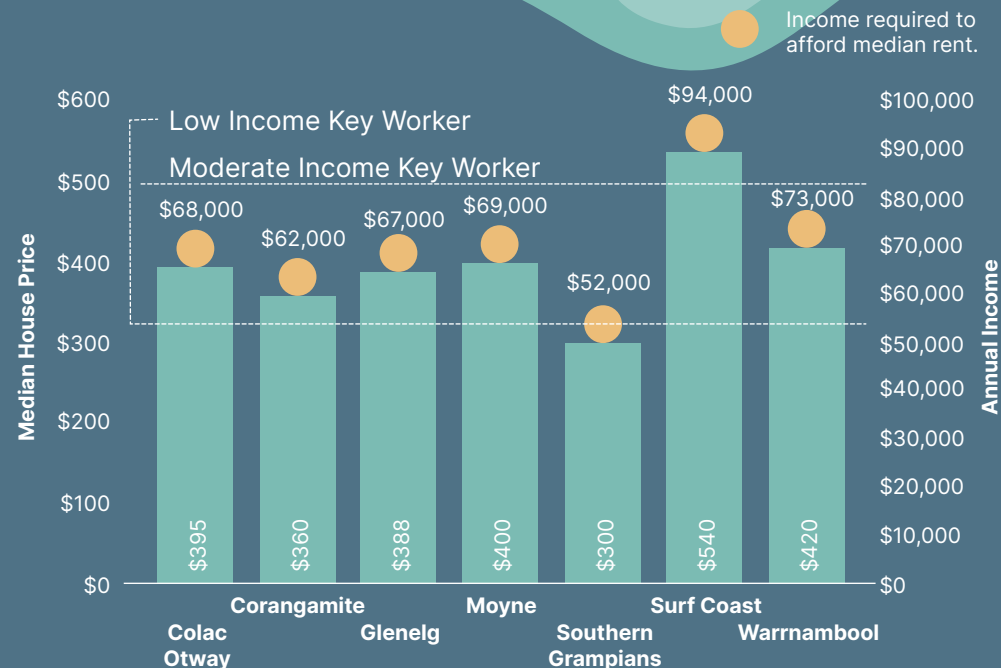


Chart 4: Regional Rents and Key Worker Affordability 2022

Assumptions:

For a rental to be deemed affordable the key worker should not spend more than 30% of their income on weekly rent

No Housing to Rent

Where workers are theoretically able to afford local rents a key issue is the availability of accommodation which is a major barrier in attracting workers to our region.

The availability of rental properties across the region has been in long term decline. At January 2023, rental vacancy across the region was 1.2%. This level of vacancy is well below market equilibrium (3%), which has been the case for the past seven years and is indicative of a severe scarcity of long-term rental dwellings.

Many towns across the region have recorded only very limited and, in some cases, no new rental activity over the past two years. In some locations, such as Apollo Bay, there are now effectively no long-term rental properties available. In coastal locations which typically require high numbers of seasonal workers to service demand, there is a severe shortage of available and affordable rental accommodation for key workers. Private rental vacancy in Lorne, Torquay and Port Fairy is well below 1%.

For key workers, a lack of available rental options limits access to local employment and curtails their ability to trial the lifestyle, amenity and working benefits of a regional community before making a longer-term commitment. Limited rental availability represents a major barrier to economic activity. Without housing local enterprise cannot induce worker mobility or retain staff.

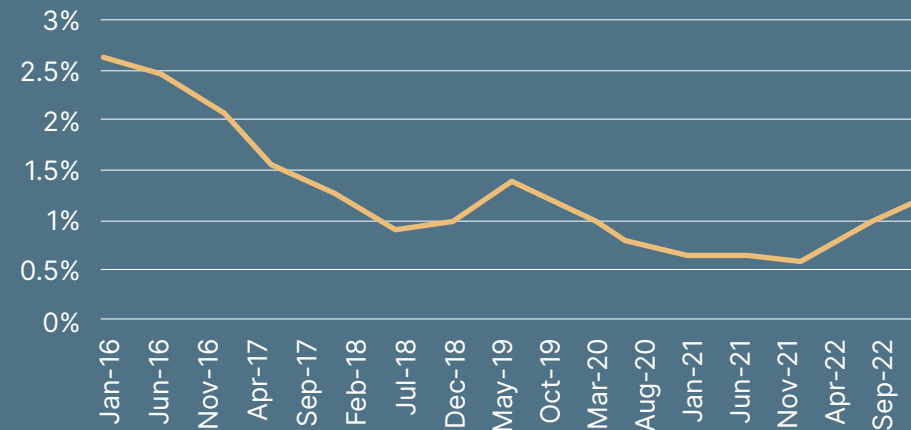


Chart 5: Regional Housing Vacancy

Regional Story 3 - Local Government Worker

“A council officer moved to the region for work and was unable to find housing in Port Fairy, or nearby suburbs. They spent the first 9 months of their contract moving between various B&Bs and short term rentals; unable to find permanent accommodation. Coming up to the peak tourism season, they were ejected from their temporary accommodation as the owners preferred to rent to short term holiday makers.”

Colac-Otway	1.75%
Corangamite	0.90%
Glenelg	1.49%
Moyne	0.59%
Southern Grampians	0.47%
Surf Coast	2.08%
Warrnambool	0.39%

Table 2: Vacancy Rate by Local Government Area January 2023

Our Workforce **Needs** Housing

Without housing local business cannot grow. We have abundant opportunity to grow our economy through our expanding energy, agriculture and hospitality industries, but without housing, our unique advantages cannot translate into community benefit.

Many of our regional settlements that urgently need labour also need diverse housing, which is the housing that young, mobile early career people need. Motivated and mobile workers regularly report on the frustrations of securing affordable dwellings.

Jobs vacancies in the region are ballooning. There are currently 7,300 advertised jobs in the broader region including numerous health, education, hospitality and caring jobs. Escalating employment vacancy is a major handbrake on the region's economic and social potential. For the past 5 years, regional productivity growth has been stagnant while economic participation has fallen despite population growth, abundant employment opportunity and infrastructure investment.

The region is subject to numerous infrastructure projects including the Princes Highway Upgrade (Winchelsea to Colac), Apollo Bay Harbour Precinct Development, Princeton Eco-Resort and 12 Apostles Hot Springs, Cape Bridgewater Resort, Dundonnell Wind Farm, Origin Energy Gas Fire Plant, the Hamilton Art Gallery relocation and the Warrnambool Base Hospital Redevelopment. However, these projects promise to boost our currently stagnating economic output. The projects however will require substantial new housing to support the construction phase and the subsequent workforce.

We also need to renew our workforce. Our ultra-low unemployment rate of 2.7% reflects both high levels of worker demand but also our low work force participation rate. Renewal will require desirable conditions for attracting and retaining worker inflow into the shire.

What is Dedicated Key Worker Housing?

Part of the regional housing solution entails purpose built dedicated key worker housing.

This is housing suitable for workers without existing and established roots in the region who are embarking on delivering key services and skills.

This housing needs to be affordable (no more than 30% of the worker's income), high quality in terms of internal amenity and thermal comfort and secure. Key workers need to be in proximity to their work so its also important that this housing is centrally located and accessible to services and consumer amenity.

We note that dedicated key worker housing is only a small part of the solution to the region's wider housing challenge. However, dedicated key worker housing can provide a great starting point and launch pad for workers who may ultimately settle in our community on a more permanent basis.

The delivery and management of dedicated key worker housing entails tenant selection and management complexities that require thoughtful planning and preparation.