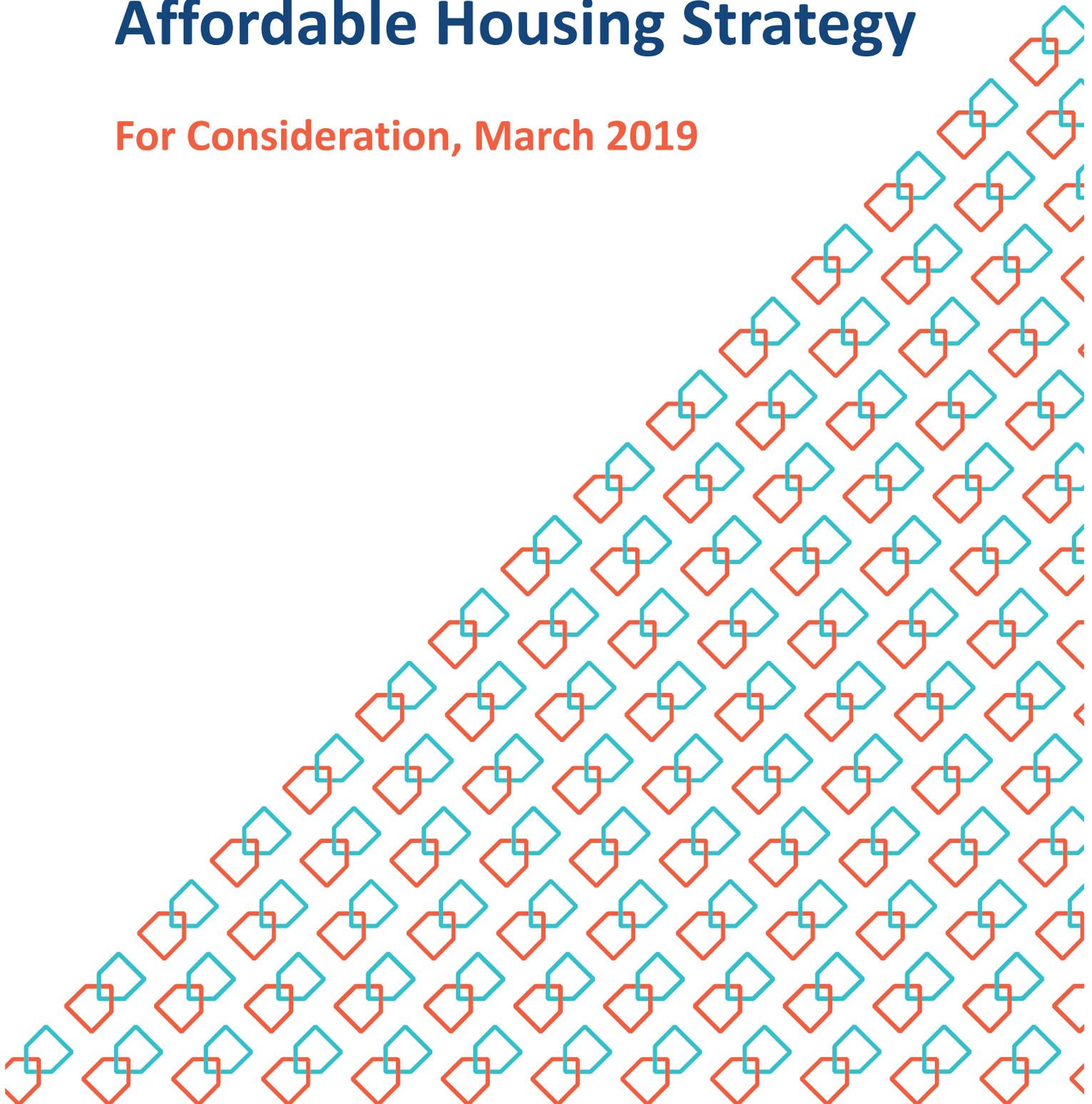




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PMP Printing Site Proposed Affordable Housing Strategy

For Consideration, March 2019



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Contents

| | |
|--|-----------|
| Definitions..... | 3 |
| Executive Summary | 4 |
| Proposed Negotiation Principles and Process | 8 |
| Part A: Context | 11 |
| Site Overview | 12 |
| Policy Context..... | 12 |
| State Government Legislative and Policy Framework | 13 |
| Affordable Housing Definition | 14 |
| Voluntary Planning Agreements..... | 15 |
| Part B: Affordable Housing Needs Assessment | 17 |
| Housing Market Snapshot..... | 20 |
| Affordable Housing Demand | 23 |
| Affordability Gap Assessment..... | 24 |
| Estimated Social Housing Supply Requirement..... | 25 |
| Part C: Affordable Housing Programs and Delivery Models | 27 |
| Affordable Housing Programs and Delivery Models..... | 28 |
| Delivery Models | 29 |
| Commercial Considerations | 29 |
| Key Stakeholder Opportunities and Limitations..... | 30 |
| Proposed Affordable Housing Inclusion – for consideration | 32 |
| Assessment Against the Government’s Framework..... | 32 |
| Recommended Inclusion – for consideration..... | 33 |



Definitions

Affordable Housing

Affordable Housing is housing, including social housing, that is appropriate for the housing needs of very low, low and moderate-income households (*Planning and Environment Act 1987*). For the purposes of this definition:

- Very low-income households are defined as households earning less than 50 per cent of the gross median household income;
- Low income households are those earning less than 80 per cent of the gross median household income; and
- Moderate income households are those earning less than 120 per cent of the gross median household income.

Maximum income bands for these household groups are published by the State for Greater Melbourne and the Rest of State and should be referred to when determining household eligibility.

Affordable Housing should be priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs (generally no more than 30 per cent of income) and be 'Appropriate' for the household's needs which includes consideration of affordability, type, tenure, location, allocation, integration and housing need.

Eligible Household

A household that meets the established criteria for an appropriate Affordable Housing program, typically an income limit and asset test.

End Recipient

The intended recipient of an Affordable Housing benefit created as a result of a planning negotiation.

Housing Affordability

Housing affordability refers to the relationship between expenditure on housing (prices, mortgage payments or rents) and household income. Housing affordability is particularly an issue for lower income households who have reduced financial resources available to meet housing costs.

Housing Stress

A lower income household (those in the lowest 40 per cent of incomes) is considered to be in 'housing stress' when it is paying more than 30 per cent of gross household income on rent (the '30/40 rule').

Registered Housing Agency

A not-for-profit organisation that is a company limited by shares or guarantee, an incorporated association, or a co-operative, registered under the *Victorian Housing Act 1983*, regulated by the Victorian Housing Registrar, with a purpose to own, manage and/or develop affordable rental housing.

Social Housing

Social Housing refers to Public Housing (owned and managed by the Director of Housing); and housing owned, controlled or managed by a participating registered agency (registered as a Housing Association or a Housing Provider).



Executive Summary

Purpose

The 'PMP Printing Site' (the Site) is a ten-hectare industrial zoned site located on the corner of Browns and Carinish Roads, Clayton. The area is controlled by two primary land owners, Bewise and Make Property Ventures, and several individual owners of properties located along Bendix Drive and Centre Road.

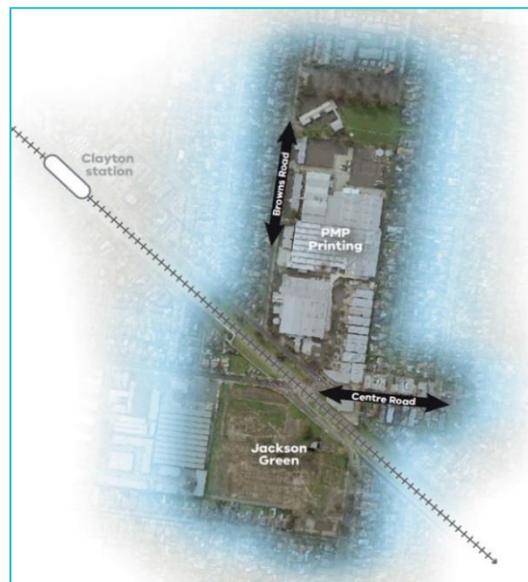
The Victorian Planning Authority (VPA) is working with Monash City Council (the Council) and the land owners to develop new planning controls to facilitate the use of Site for mixed-use development.

The facilitation of Affordable Housing is an objective of the *Planning and Environment Act 1987* (the Act). The Council is therefore required to respond to this objective when planning for the use of land. The Victorian Government has stated policy objectives to increase the supply of Affordable Housing and support negotiations between land owners and responsible authorities to determine an Affordable Housing Agreement for a site as part of a planning approval process.

Affordable Development Outcomes was engaged by the VPA and the Council to support the development and negotiation of an Affordable Housing Strategy and related planning control for the Site.

This report sets out the policy context, proposed negotiation principles and process, evidence and characteristics of local Affordable Housing need, an overview of different delivery models, and a proposed Affordable Housing delivery strategy for discussion and agreement between the Council, the VPA, and the land owners (the Parties).

On agreement between the Parties, a final strategy document will be prepared to reflect the agreement, expected to be placed on public exhibition as part of the rezoning process.



Affordable Housing and Planning Negotiations

Affordable Housing is defined in the *Planning and Environment Act* as “housing, including social housing, that is appropriate for the housing needs of very low, low and/or moderate- income households”. Further translation of the definition and its application is set out in Part A.

An agreement to deliver Affordable Housing as a condition of a rezoning and subsequent development must be by agreement between the land owner and the Council as the responsible authority. The State Government policy guidance, summarised in Part A, sets out key considerations and parameters for a negotiation and agreement and which has informed the approach taken to developing the proposed strategy.

Proposed principles and process to guide the negotiation and finalisation of an agreement are also proposed, set out in the Executive Summary.

Basis of an Affordable Housing Inclusion

The inclusion of Affordable Housing is proposed on the basis that the objectives of the *Planning and Environment Act 1987* to promote sustainable development and facilitate the delivery of Affordable Housing require the planning and



development of land to respond to the housing needs of all income groups within the community. Evidence of the need for Affordable Housing in the City of Monash is established in Part B.

The intended rezoning of the land to mixed-used development is expected to result in a value uplift that is reasonably able to be shared towards an Affordable Housing purpose. The specific nature of any Affordable Housing inclusion is expected to be agreed to by both the land owners and the Council prior to the adoption of the planning controls, thereby ensuring the outcome constitutes a voluntary agreement in accordance with State policy.

The assessment as to what could constitute an acceptable and commercially viable Affordable Housing inclusion, and the options by which the housing outcome could be delivered has taken into consideration several factors, including:

- The Site context, land ownership arrangements, proposed development and built form outcomes and timeframes;
- Evidence of Affordable Housing need and the dwelling typology that is required to respond to this need;
- The context of multiple land owners with differing potential future development characteristics;
- The expected increase in land value as a result of the rezoning (whilst acknowledging some of this land value and factors that may limit or impact on this value depending on the transaction history, planning context, and other requirements of the rezoning);
- Similar Affordable Housing negotiations and learnings from these processes;
- The indicative cost impact of different quantum of outcomes and delivery models;
- The importance of there being sufficient comfort for all parties that an outcome will be able to be delivered;
- What opportunity there is for innovation, or an acceptable degree of risk on delivery, in light of the site context and development timeframes; and
- An objective to limit adversarial negotiation processes and achieve a suitable and clear agreement to an acceptable inclusion within a reasonable period and provide certainty to all Parties including any potential future land owner as to the inclusion and delivery arrangement going forward.

Evidence of Affordable Housing Need

The evidence of Affordable Housing needs and the scale and characteristics of this need set out in Part B justifies the need for Affordable Housing in the City of Monash and supports the objective of the Council and VPA to seek to facilitate these outcomes through a planning negotiation and process in accordance with the *Planning and Environment Act* objective.

This analysis highlights:

- the main household group likely to experience rental housing stress in the City of Monash are very low, low and to some extent, moderate income households, particularly singles and couples;
- significant discounts to market rents are required for housing to be affordable for these households with Social (rental) Housing the most appropriate and in-demand housing tenure in terms of affordability, allocation and management;
- only 2.01 per cent of dwellings in the City of Monash in 2016 were Social Housing, with an estimated shortfall of 3,663 dwellings that were appropriate, affordable and available to very low and low income residents to access in the City of Monash ('Affordable Housing Supply Gap');
- by 2036 the estimated forecast need is for 4,786 dwellings to be affordable and available to lower income households, representing 7.65 per cent of all total projected dwellings in the municipality;
- to meet current and forecast need through projected new supply would require an average of 57.35 per cent of all dwellings forecast to be delivered per annum in the City of Monash over the next seventeen years to be delivered as Affordable Housing;
- one and two-bedroom dwellings are primarily needed to address unmet Affordable Housing need;



- delivery of smaller dwellings is a wider market challenge with only 18.2 per cent of dwellings comprising one or two-bedrooms in 2016 whilst 42.3 per cent of all households were single-person or couple households (forecast to increase to 48.7 per cent by 2036);
- a percentage of Affordable Housing dwellings is also required to be adaptable to cater for ageing households and persons with a disability reflecting that over 18,000 current households are on the aged pension and over 3,200 were in receipt of the disability in pension in September 2018; and
- very low, low and moderate income households are unlikely to be able to purchase a home in the Clayton area without a significant deposit or other assistance.

It is noted that the estimate as to Affordable Housing need does not automatically translate to an amount of Affordable Housing that may be viably achieved as a result of the rezoning of the Site. It is also not expected or reasonable to assume that meeting the gap would be only achieved through private sector development, with significant Federal and State Governments policy and investment required.

This analysis confirms, for the purposes of considering and negotiating outcomes for the Clayton PMP site, that:

- There is significant unmet need for Affordable Housing in the City of Monash and in particular in the Clayton area;
- Affordable rental housing, such as Social Housing or other forms of discounted rental housing is the predominant tenure required to meet this need, with some need for affordable purchase options such as shared equity to reduce bottlenecks in the private rental market;
- Affordable Housing is predominantly required in the form of one and two-bedroom dwellings;
- Affordable housing should be intended to be provided in the long-term, reflecting the forecast need;
- Households that should be prioritised for allocation of dwellings are singles, couples, older persons, people with a disability and lower to moderate income working households.

Recommended Affordable Housing inclusion - for consideration

Determination of an Affordable Housing inclusion for the Site is one of a number of planning considerations which includes planning and urban design controls, infrastructure requirements and charges, and potentially other community contributions that impact on project feasibility. A proposed Affordable Housing component and the cost implications of delivery must be considered by the Parties and balanced with other planning and redevelopment objectives in order to reach agreement as to what is an appropriate outcome.

Within this context, it is recommended that the following Affordable Housing inclusion is considered by the Council, land owners and the VPA, and subject to agreement by all parties, reflected in the new planning controls:

1. *The delivery of up to ten (10) per cent Affordable Housing by way of one of the following options;*

- 1.1. *Transfer of a land parcel or parcels with the capacity to support the development of 10 per cent of the site's total dwellings as Affordable Housing dwellings, to be provided to a Registered Housing Agency at nil consideration; **or***
- 1.2. *Sale of four per cent of total dwellings as completed dwellings at a 50 per cent discount to the established market value to a Registered Housing Agency for use as Affordable (rental) Housing; **or***
- 1.3. *The gifting of two per cent of total dwellings as Affordable Housing, delivered in the form of completed dwellings gifted to a Registered Housing Agency for use as Affordable (rental) Housing; **or***
- 1.4. *Any other model that achieves ten per cent of total dwellings as Affordable Housing for a minimum 15-year period, on the condition that these dwellings are managed thorough an appropriately*



regulated management arrangement and the model is subject to the approval of the Responsible Authority.

Further details on each of these models is set out in the Paper.

To provide further guidance, it is recommended the development of land should aim to achieve 30 per cent Affordable (rental) Housing (i.e. 3 per cent of the 10 per cent) with an allowance for other affordable rental or Affordable Purchase (shared equity or rent to buy) on the remainder of the nominated land parcel(s) on the basis these outcomes are in line with the State Government definition and policy.

It is also recommended the Parties give further consideration as to whether a floor space equivalent measure should be used instead of a percentage of total dwellings as this would support the ability for a Registered Housing Agency to work with the land owner to determine the appropriate distribution of the floor space by dwelling type and size at the point the development occurs.

Once in-principle agreement to the inclusion and model(s) is reached, further work to finalise the planning controls and consider the requirements in relation to process and timing for each model will be required to ensure that expectations and sufficient detail on delivery process is clear.

It is noted that these options require the participation of a Registered Housing Agency to either accept or purchase dwellings or land and therefore indicative support of a minimum of one agency should be sought prior to the Parties reaching final agreement.

Next Steps

It is recommended the VPA, Council and landowners:

1. Consider and agree to the negotiation principles and process set out within the Report;
2. Note an assessment of Affordable Housing need in the City of Monash and the key characteristics of this need as they relate to required built form outcomes;
3. Note that a range of factors have been taken into consideration in developing a proposed Affordable Housing inclusion and that this requires testing with the land owners;
4. Consider and respond to the recommended Affordable Housing inclusion and delivery options;
5. Enter negotiations to confirm an Affordable Housing agreement for the Site and determine an appropriate set of proposed planning controls, subject to the rezoning.

Once an agreement is reached, a final Affordable Housing Strategy will be prepared with the intention that this is made publicly available as part of the public exhibition of the proposed rezoning. The Strategy may also be reviewed by Planning Panels Victoria and the Department of Environment, Land, Water and Planning (DELWP). The development of this stage will include confirmation of key items in relation to the agreed delivery models/options to ensure there is sufficient clarity to all Parties on the intended delivery strategy.



Proposed Negotiation Principles and Process

The following principles and process is recommended to be considered and agreed by the responsible authority and the land owners (the Parties) with the support of the VPA, to provide a basis for a negotiation and intended agreement to the inclusion of Affordable Housing as a result of the rezoning of the Site.

Principles

1. On the basis that the Site is rezoned, the Parties agree to consider and support, in-principle, the inclusion of Affordable Housing as an objective of the rezoning and development of the Site subject to the proposed planning framework and negotiation and agreement as to the Affordable Housing amount and delivery model(s).
2. Affordable Housing for the purposes of the negotiation and any subsequent agreement and planning control:
 - Has the meaning given to it under the *Planning and Environment Act 1987*;
 - Is to be determined with regards to the list of State Government published 'Matters' for determining appropriateness.
3. The decision to include Affordable Housing within a revised planning control and the specific details of the agreement must be voluntarily agreed to by each Party. At any time, a Party can elect to withdraw from the negotiation. For clarity, the inclusion or otherwise of an Affordable Housing component is not a mandatory requirement of the rezoning being considered by the responsible authority.
4. Agreement by the Parties to the inclusion of Affordable Housing objectives for the Site, and the subsequent incorporation of the agreed detail as to the delivery arrangements within any future planning controls is noted to have the practical effect of making the requirement a condition of future planning approvals and development.
5. Consideration of the Site potential in terms of new zoning controls and associated density and/or height controls, third party notification rights or other potential value enhancing planning provisions will be determined with regards to the objective and cost implications of the provision of Affordable Housing and how the planning process and controls can best facilitate this outcome.
6. Analysis as to the Affordable Housing need within the City of Monash and more broadly, Greater Melbourne, will inform the type (built form, tenure) of Affordable Housing that may be agreed to be included and delivered.
7. Agreement to deliver Affordable Housing that depends on the investment and/or ownership and/or management by another party will be tested with any potential third-party for in-principle prior to final agreement by the Parties.
8. Agreed delivery arrangements will have regards to the development timeframe and the need for certainty as to delivery whilst allowing for sufficient time and flexibility for an appropriate and agreed delivery model to be finalised.
9. Any Affordable Housing that is agreed to be delivered on the Site should, unless otherwise agreed by an intended third-party housing agency end recipient:



- Adhere to all standard planning, urban design and architectural guidance in accordance with State and local planning policy, urban design frameworks and relevant design guidelines and the Site-specific development plan and design control requirements;
- Be integrated externally with private housing;
- Externally appear no different from the market housing component;
- Have regards to long-term affordability and operational costs.

Process

A process of negotiation is recommended to be agreed to at the commencement of the process to provide clarity to all Parties as to the process and key decision milestones. This process should align to the wider planning process and timeframes and may be amended by agreement by the Parties.

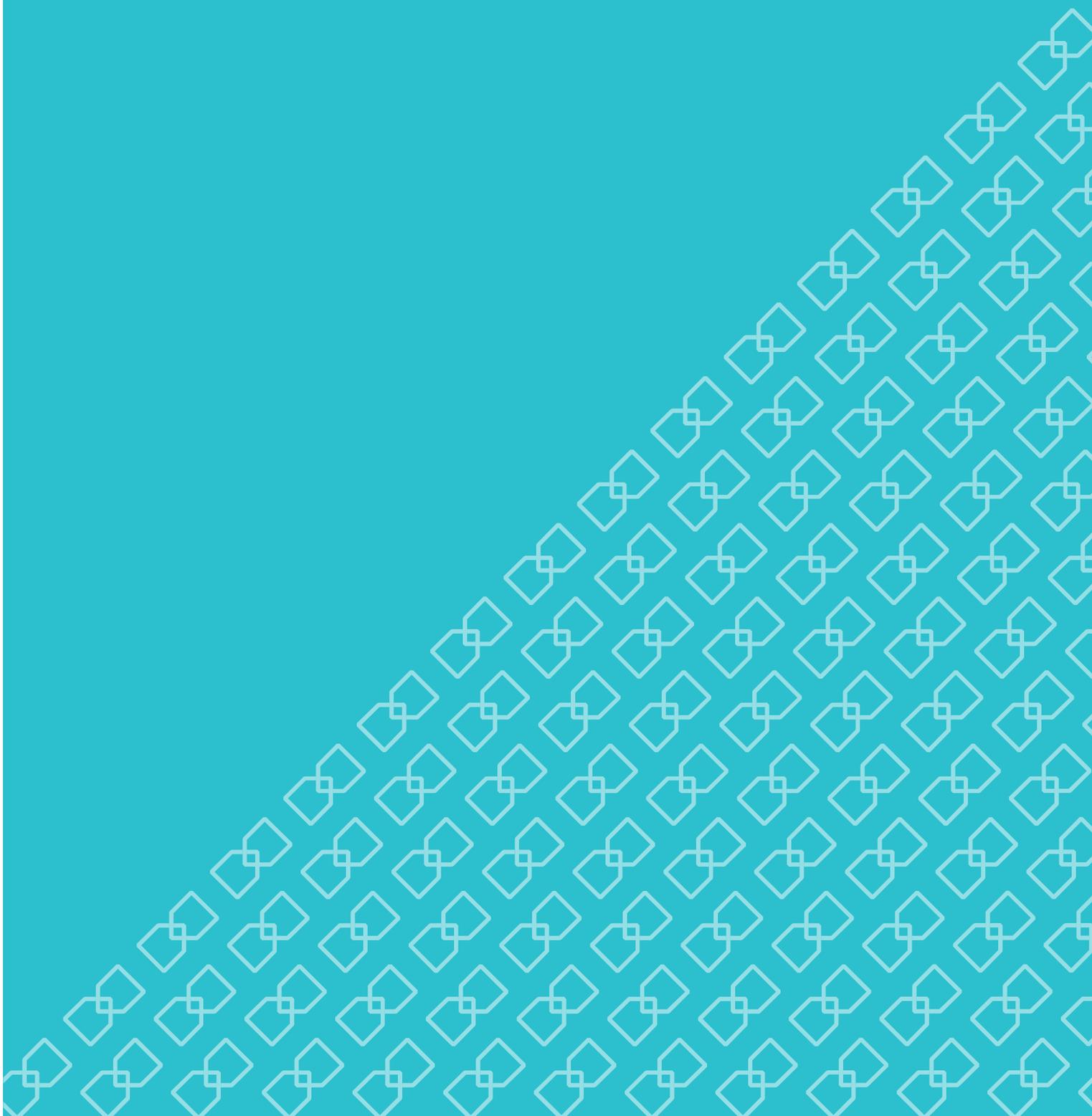
| Stage | Process | Decision point / milestone |
|---|--|---|
| 1 – Negotiating terms | <ol style="list-style-type: none"> 1. Inception meeting – noting of Council and VPA objectives; land owner requirements and objectives; noting of wider context and rezoning objectives; noting of State Government definition and framework; discussion on potential delivery options; 2. Review and agreement to negotiating terms and process by Council and land owners; | <p>Agreement to consider / negotiate</p> <p>Agreement to negotiating terms and process</p> |
| 2 – Evidence, Proposal, Preliminary Offer, Negotiation, | <ol style="list-style-type: none"> 3. Consideration of independent advice on evidence and characteristics of local Affordable Housing need; potential Site delivery models; other third-party stakeholder objectives and potential interest and capacity to invest; opportunities to enhance the viability and contribution; 4. Tabling of proposed baseline Affordable Housing contribution and delivery model(s) (proposed Strategy); 5. Consideration of land owners of the potential feasibility impact of the recommended Affordable Housing contribution and delivery model(s); 6. Response and tabling of land owners’ preferred position (‘preliminary offer’) – proposed Affordable Housing contribution (number or percentage of floor area) and delivery model(s) and any conditions associated with the offer; 7. Council /VPA review and response to land owner proposed contribution in light of other planning / rezoning considerations; 8. Negotiation between Council, the land owners and the VPA with the assistance of Affordable Development Outcomes; | <p>Noting of evidence of need and range of delivery models</p> <p>Tabling of proposed Affordable Housing Strategy</p> <p>Consideration of proposed Strategy and response / preliminary proposal by land owners</p> <p>Council / VPA review</p> <p>Negotiation</p> |
| 3 – Agreement | <ol style="list-style-type: none"> 9. Agreement in writing to in-principle agreed Affordable Housing component (Term Sheet), subject to rezoning and any other terms – agreed to by Council and land owners and VPA; | <p>Agreement</p> |
| 4 – Independent review | <ol style="list-style-type: none"> 10. Public exhibition; 11. Planning Panels review and recommendations; | <p>Review</p> |
| 5 – Finalisation of planning review and draft zone controls | <ol style="list-style-type: none"> 12. Final agreement to Affordable Housing component in light of Planning Panel recommendations in relation to the Site; 13. Finalisation of proposed planning terms in accordance with in-principle agreement and term sheet; 14. Final review and agreement by all Parties; | <p>Finalisation of Agreement</p> <p>Planning Controls</p> |



| Stage | Process | Decision point / milestone |
|-------|---|----------------------------|
| | 15. Endorsement by Council; 16. Inclusion of terms within new planning controls; 17. Section 173 Agreement to confirm agreement | |



Part A: Context



Site Overview

The PMP Printing site (the Site) comprises of ten-hectares situated in Clayton at the intersection of Browns Road and Carnish Road, bordered by Centre Road and Moriah Street. The Site is 18 km southeast of Melbourne’s CBD and situated close to Monash University, Hospital and Clayton Railway Station.

The major land holdings that make up the Site are controlled by ‘Bewise’ (6.08 hectares) and ‘Make Property Ventures’ (2.1 hectares) and several individual land owners that own properties bordered by Benedix Drive and Centre Road. The site is currently zoned for industrial use.

The Site’s potential for renewal was formally identified as a potential redevelopment site for business and employment opportunities, increased housing and new public spaces in Monash City Council’s Industrial Land Use Strategy (2014).

In 2016, the Minister for Planning directed the VPA to assist the Council in the preparation of amendment documentation for the Site.

The Site is proposed to be rezoned to a mixed-use zone and accommodate between 900 and 1000 dwellings.

Policy Context

Local Government Policy

The Monash Planning Scheme objectives include:

- To encourage the provision of a variety of housing styles and sizes that will accommodate future housing needs and preferences of the Monash community that complement and enhance the Garden City Character of the City;
- To provide accommodation for a diverse population that caters for different family and lifestyle preferences and a variety of residential environments and urban experiences;
- To recognise and provide for housing needs of an ageing population;
- To ensure the accommodation needs of students are met.¹

The Council’s 2014 Housing Strategy recognises the lack of housing diversity and limited housing affordability as a significant issue and the Strategy includes an objective “to ensure appropriate and affordable housing is available to suit the social and economic needs of the community.”

The Strategy:

- highlights a range of challenges in relation to housing affordability, accessibility and suitability for whole of life accommodation;
- articulates a goal to provide housing for a diverse and expanding populations, including the requirements of an aging population and smaller households, and to revitalise activity centres in Monash by supporting higher residential densities and mixed-use developments;
- calls for short term measures such as the investigation of mechanisms to deliver affordable housing, including the review of previous planning applications and the provision of planning guideline notes;
- sets out longer term actions include advocating for ‘as of right’ status for preferred development types, the use of residential zoning to encourage development in suitable locations, conducting land audits and advocating to the State Government to provide greater clarity regarding affordability.

¹ Monash Planning Scheme – Clause 21.04 Residential Development



The Site is identified as a strategic site within the Monash National Employment and Innovation Cluster Draft Framework - a larger area recognised by the State as an area of significant concentration and focus for employment, and in turn, housing and services.

Principle 6 of the Framework identifies 'Affordable and diverse housing that are close to jobs' as a priority. Strategic Outcome 5 is to 'Plan and deliver urban renewal projects and strategic sites' with requirements that detailed planning work should be undertaken on the basis of the following principles:

- New and diverse housing around existing activity centres, in proximity to the Health Education and Research precinct, Monash Technology Precinct and at strategic sites are a priority;
- A range of housing options that provide accommodation locally for workers, students, visitors to key institutions and those choosing to age in place;
- Address the potential risk of community displacement through the provision of social and affordable housing within the cluster."



State Government Legislative and Policy Framework

The *Housing Act 1983* and the *Planning and Environment Act 1987* are the key legislative frameworks that relate to Affordable Housing delivery in Victoria. The focus of the Housing Act is on the delivery and management of Social (rental) Housing for very low income households. The Act also establishes a regulatory system for not-for-profit housing agencies who own and/or manage Social and Affordable Housing ('registered housing agencies').

Homes for Victorians, and *Plan Melbourne* set out the State Government's commitments in relation to Affordable Housing facilitation, investment and delivery. The strategies reflect that there are several tools the Government can use to facilitate increased Affordable Housing outcomes, including the application of government land, funding, financing and land-use planning instruments and support for registered housing agencies to grow stock through partnerships.

The 'facilitation' of the provision of Affordable Housing is an objective of the *Planning and Environment Act 1987*. This objective is supported by a definition and objectives and strategies within the State Planning Policy to increase housing choice in terms of type, tenure and cost and encourage a significant proportion of new development to be affordable for households on very low to moderate incomes.

State Government policies include strengthening the role of planning in facilitating and delivering the supply of Social and Affordable Housing, a commitment to support voluntary agreements between Responsible Authorities and land owners, and a commitment to develop an Affordable Housing value share tool in the case of rezonings.



Affordable Housing Definition

On 1st June 2018, the *Planning and Environment Act 1987* was amended to include a new objective “to facilitate the provision of affordable housing in Victoria” and the incorporation of the following definition:

“Affordable Housing is housing, including social housing, that is appropriate for the housing needs of any of the following - very low-income households; low-income households; and moderate- income households.”

The Government has published household income bands to define very low, low and moderate-income households (Table 1) and a list of ‘matters that are required to be given regards to’ when determining the appropriateness of the intended built form these households (Figure 2).

| Household type | Very low | Low | Moderate |
|--|----------------|---------------------|---------------------|
| Single adult | Up to \$25,220 | \$25,221 - \$40,340 | \$40,341 - \$60,510 |
| Couple, no dependent children | Up to \$37,820 | \$37,821 - \$60,520 | \$60,521 - \$90,770 |
| Family (1- 2 adults with dependent children) | Up to \$52,940 | \$52,941 - \$84,720 | 84,721 - \$127,080 |

Table 1: Affordable Housing Income Bands, 2018-19

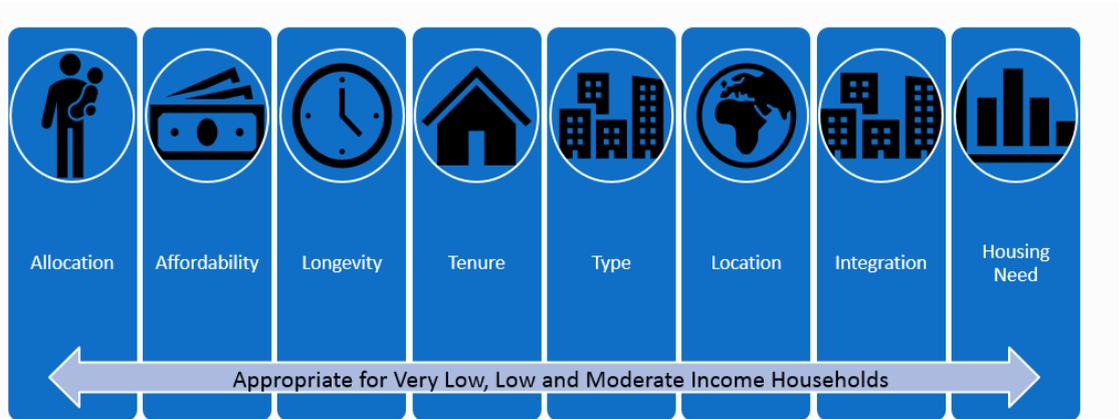


Figure 2: Government published Matters to be considered when determining 'appropriateness' of housing for Affordable Housing purposes (illustration by Affordable Development Outcomes)

Affordable Housing comprises of a spectrum of programmatic and tenure responses including supported, crisis and transitional housing, Social Housing (Public and Community Housing), disability housing, discounted rental housing, shared equity home ownership and home ownership (Figure 3).

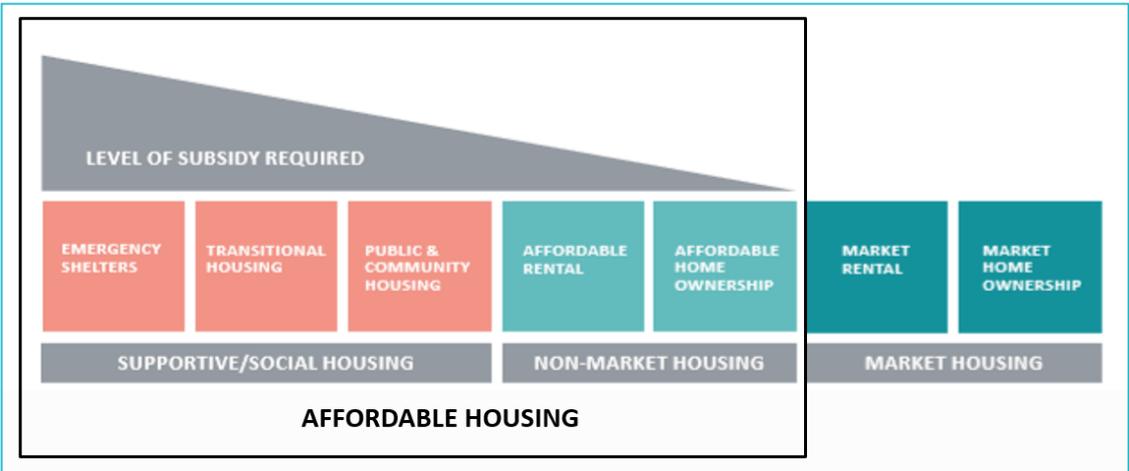


Figure 3: Housing spectrum illustrating Affordable Housing programs (Source: Whitzman, Newton & Sheko, 2015, adapted by Affordable Development Outcomes)



Subject to the evidence of local need, Affordable Housing delivered through the planning scheme could result in any of these types of Affordable Housing program outcomes. New models may also emerge over time.

Affordable Housing 'Check'

The following question is recommended to remain forefront for the Parties when considering and negotiating a potential Affordable Housing built form response to ensure that a genuine and appropriate Affordable Housing arrangement is proposed and will be delivered:

Will the proposed built form result in housing that will be:

- *Appropriate, in terms of a response to housing need and built form type, size and location;*
- *Affordable, either achieving a reasonable Affordable Housing price point for eligible households to purchase at, or provided via an appropriate managed rental arrangement where rents are set with regards to intended household incomes;*
- *Allocated to, and for, very low, low or moderate-income households?*

Voluntary Planning Agreements

In 2018 the State Government released policy guidance to support responsible authorities and land owners to enter a voluntary negotiation and reach agreement to an Affordable Housing arrangement as part of the planning approval process.²

The guidance notes that *"A planning condition in relation to Affordable Housing delivery must have the explicit written agreement of the landowner. Parties may elect to cease negotiations at any stage."*

The guidance also sets out requirements expected to inform a responsible authority's decision to seek an agreement with a land owner and notes that a responsible authority should:

- establish a strategic justification for a proposed Affordable Housing request;
- identify value to support the Affordable Housing being delivered;
- ensure land owner agreement;
- give regards to a registered housing agency's support for the proposal;
- refer to the definition and list of matters when assessing an Affordable Housing proposal.

These matters are addressed in this paper and inform the proposed strategy.

Planning rationale and value proposition

The basis for an Affordable Housing inclusion from a planning policy position could be considered either:

1. An inclusionary requirement, where a proportion of Affordable Housing is included as part of a rezoning in response to the sustainable development objectives of planning without any offset or additional incentive; and/or

² Department of Environment, Land, Water and Planning (2017) Planning mechanisms for Affordable Housing, <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing>, last updated 2/11/18



2. A value creation and sharing arrangements where additional value is offered, such as through a floor area uplift ('density bonus'), to incentivise delivery with part of this value then shared in the provision of Affordable Housing.

An inclusionary requirement is premised on the minimum acceptable standards of development includes that the development of land should respond to the housing needs of all members of the community. The concept does not link an Affordable Housing requirement to the provision of additional value enhancing planning incentives such as in concept two, but it is typically applied when there is a change in use such as a rezoning.

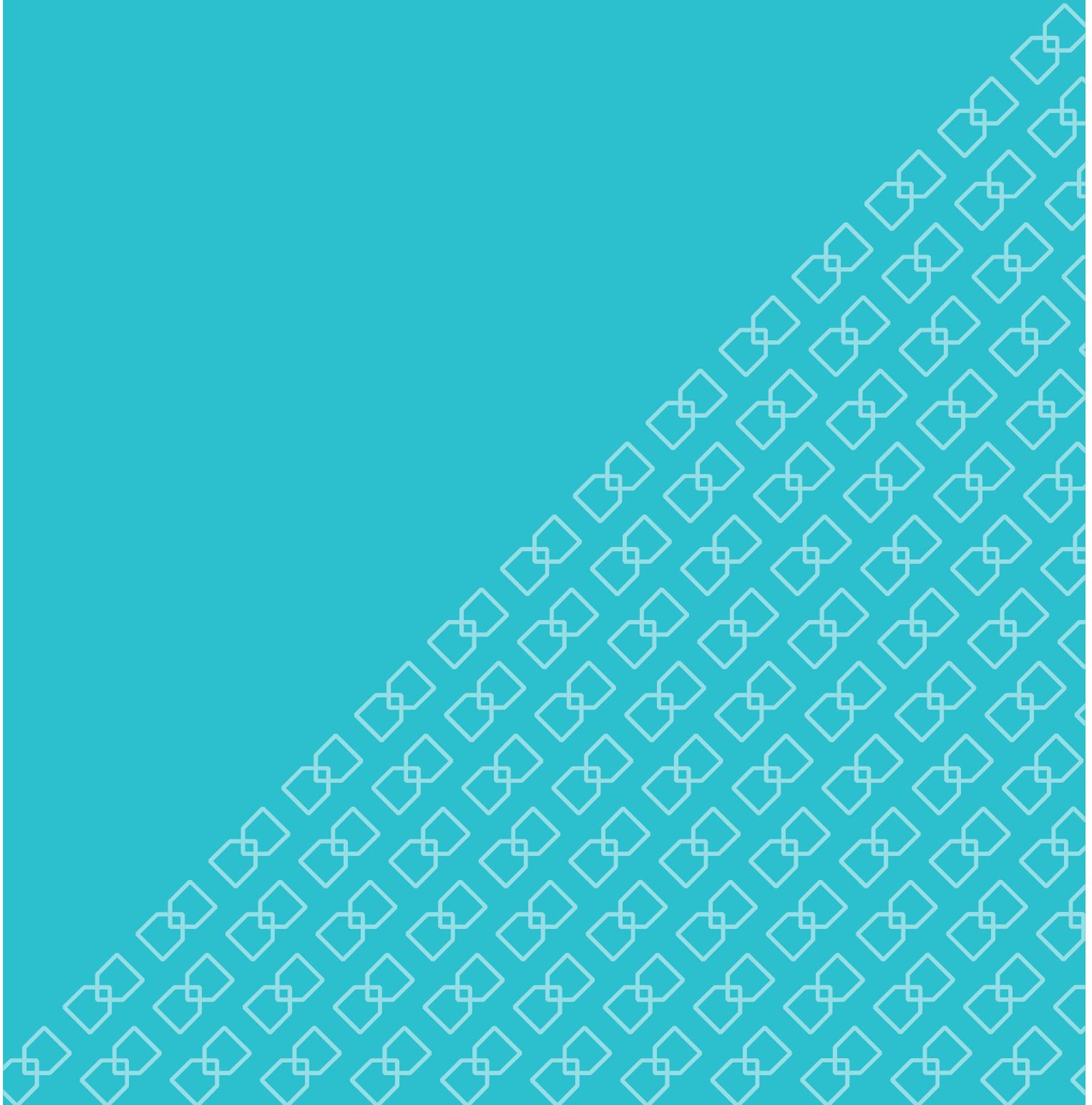
The second concept is generally accepted if the application of planning tools is voluntary and there is sufficient additional value created and available to be shared. Examples of value uplift opportunities include floor area uplift or other additional development rights, dispensations for planning requirements such as car-parking or a truncated planning approval process. Rate exemptions or other supports for community housing organisations are also noted by the Government and although these are not technically a planning incentive they could be linked to a specific development by the Council.

It is noted that the review of the planning controls for the Site are already significantly progressed with consideration to a range of value enhancing opportunities including heights/density, planning approval processes and appeal rights already made. Additional incentives such as future floor area uplift is therefore not applicable.

The two concepts are therefore in practical terms merged as value provided by the application of a planning process (rezoning) is proposed to support an inclusionary requirement on the Site subject to agreement to the terms of this arrangement being agreed by all parties



Part B: Affordable Housing Needs Assessment



This section provides:

- an overview of key demographics of the Monash municipality;
- a preliminary Affordable Housing needs analysis to determine the estimated Affordable Housing supply gap;
- an analysis of the characteristics of this gap.

The evidence confirms the high need for Affordable Housing in the City of Monash and provides a strategic basis for seeking an Affordable Housing inclusion from an evidence of need perspective, including highlighting the potential quantum and type of Affordable Housing that may be sought through a negotiation.

Demographic snapshot

In the City of Monash in 2016:

- the usual resident population was 182,618 persons, living in 70,624 dwellings with an average household size of 2.70 persons;³
- 30 per cent of households were couples with dependents; 18.9 per cent lone persons and 23.6 per cent were couples without children (Figure 4);⁴
- the median weekly household income (equivalised) was \$1,508 per week – comparable to the Greater Melbourne median of \$1,539 per week;⁵
- 9,217 households earned less than \$500 per week, and a further 11,128 households earned between \$500 and \$800 per week (equivalised income);⁶
- 64.8 per cent of households were purchasing or fully owned their home, 26.1 per cent were renting privately, and 2.2 per cent were in social housing (Figure 5);⁷
- there was a lower proportion of households living in Social Housing at 2.2 per cent (1,434 households) than the Greater Melbourne average of 2.6 per cent;⁸
- it was estimated that 795 persons were homeless and a further 499 persons were living in other marginal housing;⁹
- there was a total of 37,010 recipients of Commonwealth income support payments living in the City of Monash in 2018. The most common payment received was the Aged Pension at 48.97 per cent followed by the Disability Support Pension 8.82 per cent) and Newstart (6.4 per cent).¹⁰

³ ID Consulting (2019) <https://profile.id.com.au/melton>

⁴ ID Consulting (2019)

⁵ ABS(2018)QuickStats–Monash,2016Census

http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA21890

⁶ ID Consulting (2019)

⁷ ID Consulting (2019)

⁸ ID Consulting (2019)

⁹ ABS (2018) 2049 - Census of Population and Housing: Estimating Homelessness, State and territory by place of enumeration, Statistical Area Level 2, 3 and 4

¹⁰ Department of Social Services (DSS) (2018) DSS Payment Demographic Data, June 2018, City of Yarra, author's analysis <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=>



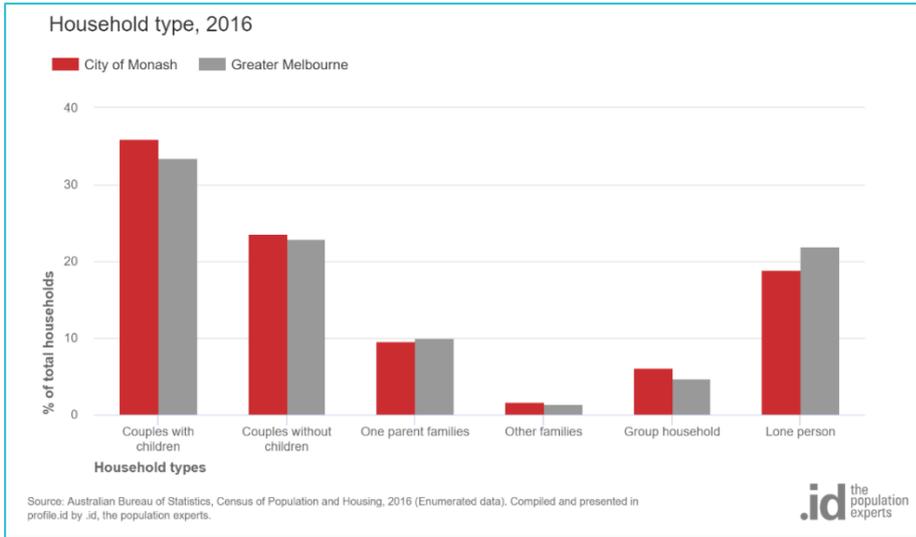


Figure 4: Household type, 2016, Source: ID Consulting

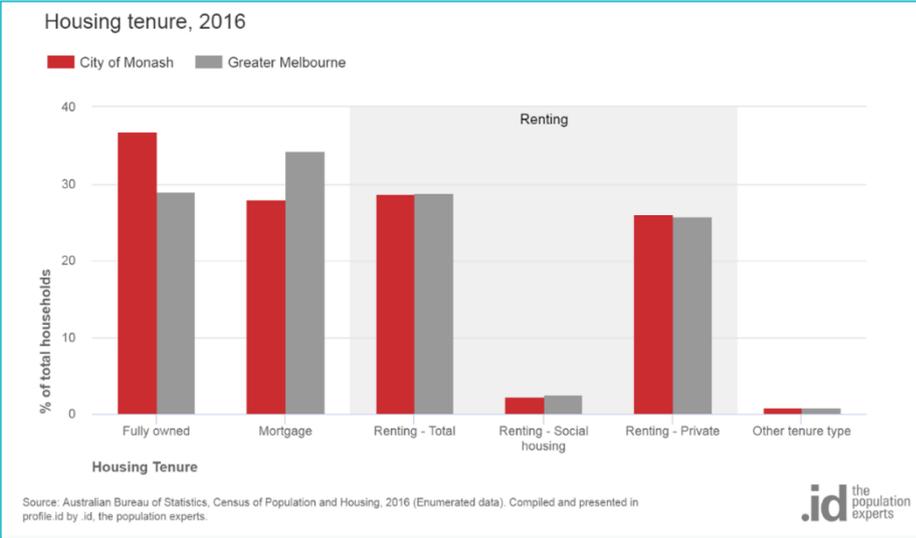


Figure 5: Housing tenure, City of Monash and Greater Melbourne, 2016, Source: ID Consulting



Housing Market Snapshot

In the City of Monash in 2016:

- 70.9 per cent of dwellings were separate dwellings, 24.9 per cent were classed as medium density and 3.8 per cent as high density (Figure 6); and
- 3.1 per cent of dwellings had zero to one-bedrooms, 15.1 per cent had two-bedrooms and 42.4 per cent had three or more bedrooms;
- Between 2011 and 2016, there has been an increase in private renter households from 22.6 per cent to 26.1 per cent (Figure 7).¹¹

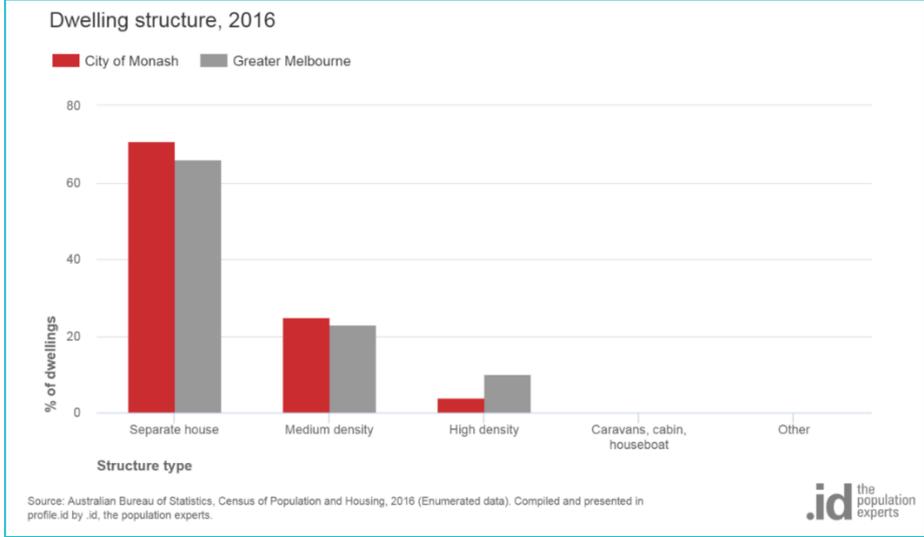


Figure 6: Dwelling structure, City of Monash and Greater Melbourne, 2016, Source: ID Consulting

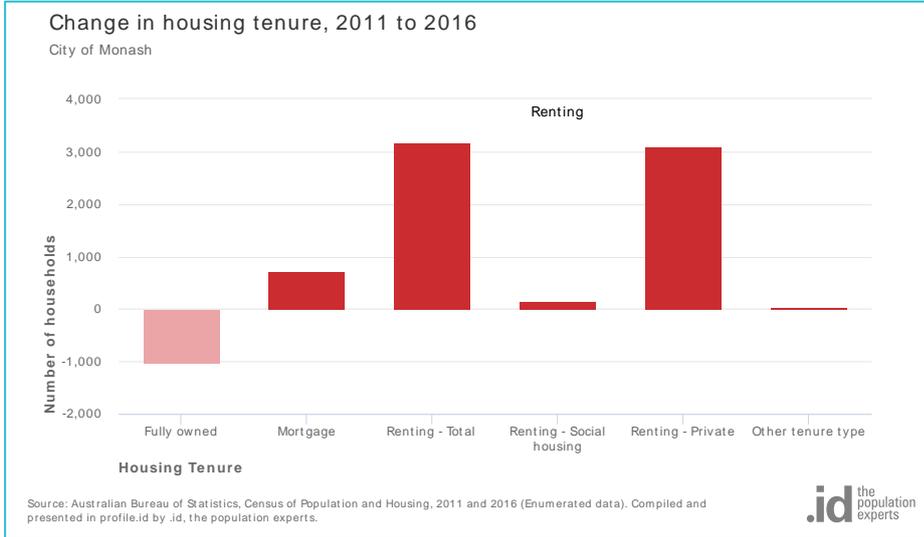


Figure 7: Change in housing tenures 2011 - 2016, City of Monash, Source: ID Consulting

¹¹ ID Consulting (2019)



The median prices for the City of Monash based on all sales in 2017 ranged from \$707,000 for units to \$1.275 million for houses. Median prices of units have increased by 92.69 per cent between 2007 and 2017.¹²

Sales data from April 2017 to June 2018 indicate Clayton, Clayton South and Clayton North had a lower median price compared to the City of Monash, with a combined suburb median unit price of \$656,000 and combined suburb median house price of \$950,000 based on all dwellings sold during the period.¹³

Home Purchasing and Ownership

In the City of Monash in 2016:

- 36.8 per cent (23,884) of all households owned their home and 28 per cent (18,205) had a mortgage;
- Of those households that owned their own house, 10,465 were low income households and of those households that had a mortgage, 3,898 were low income households;¹⁴
- 2,385 low income mortgage holders were in housing stress, which represents:
 - 13.1 per cent of all households with a mortgage; and
 - 61.18 per cent of all low-income households with a mortgage.
- Between 2011 and 2016 there was a decline in households that fully owned their dwelling from 40.6 per cent to 36.8 per cent, and an increase in households with a mortgage from 28.5 per cent to 28 per cent.¹⁵

Rental market

- Between 2011 and 2016 there was a significant increase in the percentage of households that rented in the private market from 22.6 per cent to 26.1 per cent;¹⁶
- Median rents for the period January 2017 to June 2018, based on new lettings, ranged from \$310 per week for a one-bedroom unit, \$395 per week for a two-bedroom unit or house, and \$450 - \$550 per week for a three or four-bedroom house;¹⁷
- In 2016, 5,736 lower income households (those in the bottom 40 per cent of household incomes) were in rental stress, representing:
 - 30.8 per cent of all households in the private rental market; and
 - 85.75 per cent of all low-income renter households in the City of Monash.
- The greatest number of low income households in the City of Monash in rental stress in 2016 were living in Clayton (1,526 households), compared the next highest suburb of Glen Waverley (774 households).¹⁸

¹² The State of Victoria, Department of Environment, Land, Water and Planning (2017) *A Guide to Property Values, Annual data and analysis from Valuer-General Victoria 2016*; median prices, City of Monash 2017

¹³ Victorian Valuer General (2018) Units and Houses by Suburb 2007 – 2017 data charts, accessed 12 January 2019

¹⁴ ID Consulting+ special catalogue order; Australian Bureau of Statistics- 2016 Census of Population and Housing - June Release - ID: 2016OUTPUT-for Dwelling Records- Local Government Areas (2016 Boundaries), tenure by households in the bottom 40 per cent of household income

¹⁵ ID Consulting (2019)

¹⁶ ID Consulting (2019)

¹⁷ Department of Health and Human Services (DHHS) (2018) Rental Report, Time Series, median rents by dwelling type, collated by Affordable Development Outcomes

¹⁸ ID Consulting (2019)



Private Rental Market Affordability

Between January 2017 and June 2018, only 1.41 per cent (124 dwellings) of all private lettings made available to rent in the City of Monash were affordable for households on a statutory (government) income. Over this period:

- 10 one-bedroom dwellings were affordable for a single person (1.1 per cent);
- 43 two-bedroom dwellings were affordable for a couple (1.6 per cent);
- 175 three and four-bedroom dwellings were affordable for a family (3.1 per cent).¹⁹

Rental Affordability Over Time

Affordability of the private rental market in the City of Monash for households on statutory (Commonwealth) incomes declined from 10.5 per cent of all properties made available to rent in 2007 to 2.2 per cent of all new rentals in 2017 and 1.8 per cent of dwellings for the January to September 2018 quarters (Figure 8).

Affordability of one-bedroom private rental dwellings made available to rent has declined from 10.8 per cent of one-bedroom lettings in 2007 to 0.8 per cent for the January to September 2018 period (4 dwellings) (Figure 9). There has been a similar decline in the affordability of two-bedroom dwellings from 5.3 per cent in 2007 to 1.3 per cent in 2018.²⁰

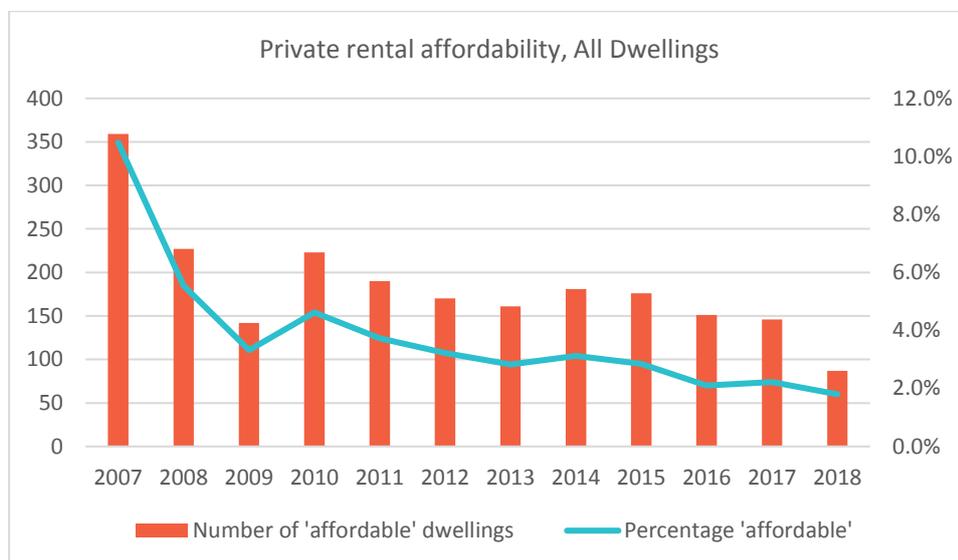


Figure 8: Private rental affordability over time, 2007 – 2018, All dwellings

¹⁹ DHHS, (2018) Rental Report, Time Series, published September 2018, Author's analysis

²⁰ DHHS, (2018) Rental Report, Time Series, published September 2018, Author's analysis



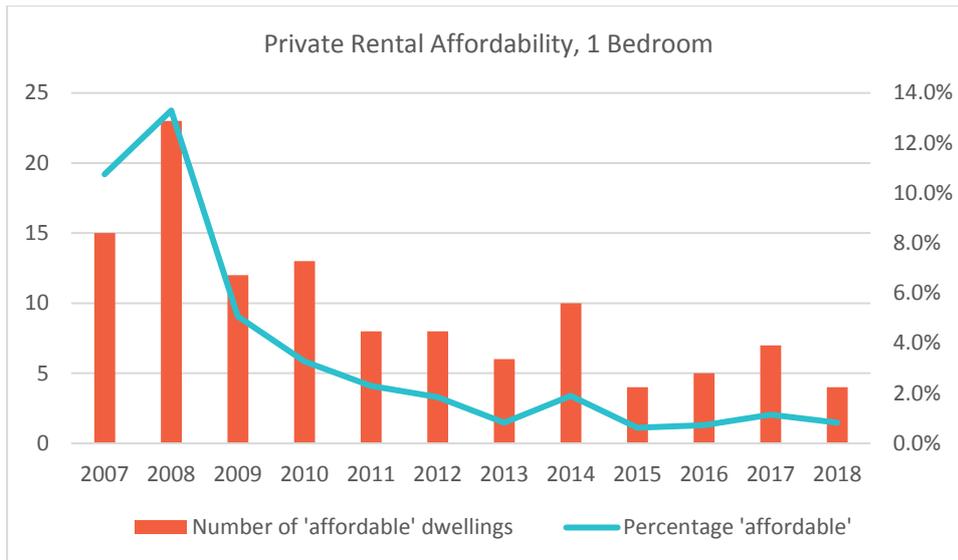


Figure 9: Private rental affordability over time, 2007 - 2018, 1 BR dwellings

Affordable Housing Demand

In 2016, 795 persons were estimated to be homeless in the City of Monash, which is generally accepted to be an undercount.²¹

In June 2018, there was a total 1,942 households on the Victorian Housing Registrar for the South Division Melbourne Region (Clayton) region; 800 of whom were assessed as in priority need of housing assistance.²² This is all households that applied for and were determined to be eligible for Social Housing and who have identified the South Melbourne region as their preferred place of residence. The majority of households on the Register are single-person households.

Of lower income residents in the City of Monash, it is noted:

- There was a total of 37,010 recipients of Commonwealth income support payments living in the City of Monash as at September 2018. The most common payment received was the Aged Pension at 48.97 per cent followed by the Disability Support Pension (8.82 per cent) and Newstart (6.4 per cent);²³
- 6,108 lower income persons were in receipt of Commonwealth Rent Assistance (CRA) which provides a small subsidy for households in any form of Commonwealth financial support that are renting in the private market or a dwelling managed by a not-for-profit housing agency.

²¹ ABS Census Data 2016

²² DHHS (2018) Victorian Housing Register and Transfer List, June 2018

²³ Department of Social Services (DSS) (2018) DSS Payment Demographic Data, June 2018, City of Yarra, author's analysis <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=>

In 2016, the suburb of Clayton had the highest proportion of lower income households in the City of Monash that were paying more than 30 per cent of their household income on rent in the City of Monash (1,526 households) (Figure 10).²⁴

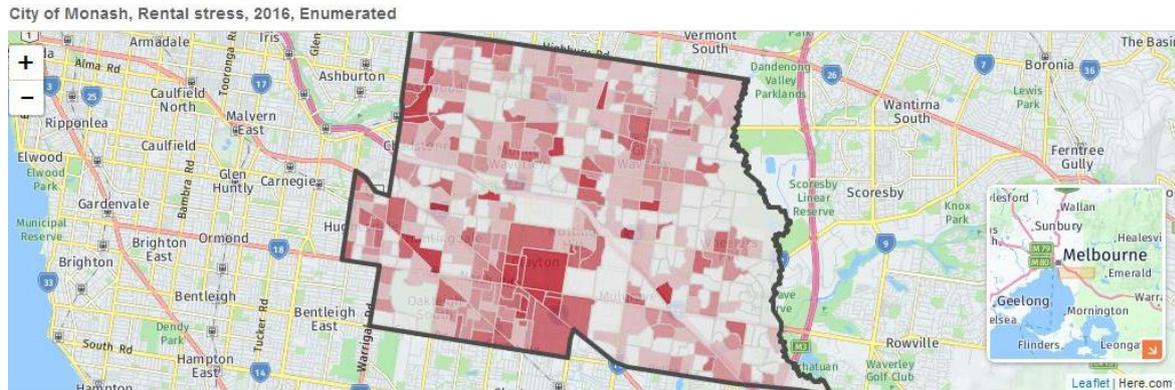


Figure 10: City of Monash, Rental Stress 2016, Source: ID consulting

Affordability Gap Assessment

A preliminary assessment of the ‘affordability gap’, being the gap between a household’s income capacity and the median rents and purchase prices in the area highlights which household groups are most likely to have difficult in participating in the market and find themselves in housing stress and requiring Affordable Housing.

Table 2 highlights the estimated gap (shown in red) between the top-end household income for each Affordable Housing eligible household type and median market prices in the Clayton area using 2017 median price data.²⁵

| Greater Melbourne | Very low (50% median) | | | Low (80% median) | | | Moderate (120% median) | | |
|-------------------|-----------------------|-----------------|---------------------|------------------|-----------------|---------------------|------------------------|-----------------|---------------------|
| | Income Limit | Affordable Rent | Affordable Purchase | Income Limit | Affordable Rent | Affordable Purchase | Income Limit | Affordable Rent | Affordable Purchase |
| Single | \$25,220 | -\$220 | -\$553,637 | \$40,340 | -\$133 | -\$492,268 | \$60,510 | -\$17 | -\$410,403 |
| Couple | \$37,820 | -\$148 | -\$502,497 | \$60,520 | -\$17 | -\$410,362 | \$90,770 | \$158 | -\$287,583 |
| Family | \$52,940 | -\$190 | -\$735,128 | \$84,720 | -\$6 | -\$606,139 | \$127,080 | \$238 | -\$434,209 |

Table 2: Affordability Gap Analysis, City of Monash

i.e. A very low income single person earning \$25,220 per annum could not afford to rent a median priced one-two bedroom dwelling in the Clayton area, and would require a further \$220 per week to meet the median market rent and not be in housing stress.

The analysis highlights that:

- There is expected to be a significant gap for all household types to purchase in the Clayton area without a significant deposit;
- Very low-income households face a significant gap between their income capacity and median house prices in the Clayton area and are subsequently most likely to require Affordable Housing assistance;
- Low income single person households face a significant gap between income capacity and median rents, whilst it is less of an issue for low income couples and families;
- Rental for moderate income households is not likely to be an issue, although single person moderate income households may still struggle in the market.

²⁴ ID Consulting (2019)

²⁵ Clayton area is defined as Clayton, Clayton South and Clayton North



This analysis also highlights that the priority groups for Affordable Housing are very low and low-income households, particularly single persons.

Estimated Social Housing Supply Requirement

To inform the assessment as to a potential target for the Site, Affordable Development Outcomes has estimated, using data on homelessness, rental stress and numbers of low income residents, the level of unmet Social Housing need for very and low income earners in the City of Monash as at 2016. This analysis has identified:

- In 2016 approximately 5,097 very low and low-income households living in the City of Monash in 2016 required a Social Housing response; representing 7.85 per cent of all households and 35.55 per cent of all low-income households;²⁶
- To meet this need 7.53 per cent of all dwellings in 2016 were needed to have been affordable and available to rent by very low to low income households ('Social Housing Need');
- In 2016, there were 1,434 dwellings were available as Social Housing, representing 2.01 per cent of all dwellings.

On this basis, there was subsequently an estimated Social Housing Supply Gap in 2016 of 3,663 dwellings (5.14 per cent of all dwellings) being the gap between the estimated Social Housing Need (5,097 households), and actual Social Housing Supply (1,434 dwellings) (Table 3).

This is likely to be an underestimate and does not consider moderate income households in need of Affordable Housing.

Based on this analysis and forecast trends, it is estimated that by 2036, the demand for Social Housing will be for 4,786 dwellings, representing 7.65 per cent of all dwellings forecast to be in the City of Monash in 2036. To address this forecast demand, it is predicted that 282 dwellings will be required to be made affordable and available to lower income households to rent per annum between 2019 and 2036.²⁵

| Year | Estimated Number of Low Income Households | Total Estimated Social Housing Need (households) | Percentage of all dwellings required to be Social Housing | Social Housing Supply Gap (dwellings) | Supply required per annum to address unmet (2016) Social Housing need | Estimated total % of dwellings required to be Social Housing |
|-------------------------|---|--|---|---------------------------------------|---|--|
| Base Year - 2016 | 23,078 | 5,097 | 7.15% | 3,663 | 4,786 | |
| 2016 – 2021 | 25,659 | 5,668 | 7.61% | 4,234 | 282 | 44.80% |
| 2021 – 2026 | 26,543 | 5,863 | 7.62% | 4,429 | 282 | 57.26% |
| 2026 – 2031 | 27,365 | 6,045 | 7.63% | 4,611 | 282 | 62.14% |
| 2031 - 2036 | 28,156 | 6,220 | 7.65% | 4,786 | 282 | 65.19% |
| | | Average: | 7.53% | | | 57.35% |

Table 3

²⁶ This analysis assumes all homeless persons (795 persons), 50 per cent of low income households in rental stress (paying more than 30 per cent of income on rent) and all households residing in Social Housing require an Affordable Housing response

²⁵ Assuming there has been no change in 2016 levels of Social Housing and 2016 rates of demand continue at the same rate



The Eastern Metropolitan Housing Alliance assessment of Social Housing need undertaken in 2014 has also estimated that in 2036 the Social Housing shortfall in the City of Monash without new supply would be for 2,860 dwellings.²⁷ At this rate, an average 151 dwellings would still need to be delivered per annum between 2019 and 2036 to address this demand.

Summary of the Affordable Housing Need Analysis

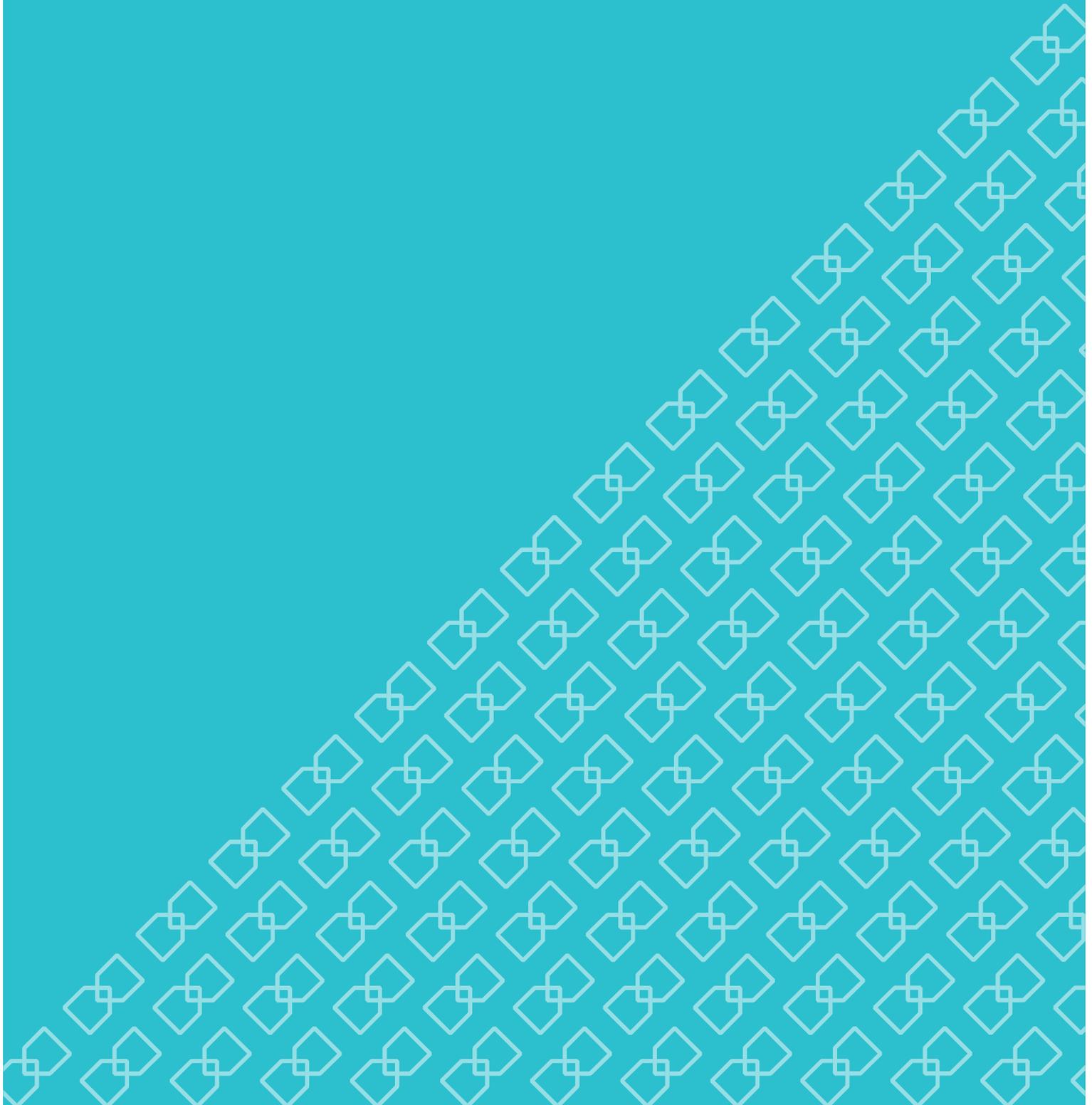
The analysis set out in this chapter highlights:

- A significant need for new Affordable Housing supply in the Clayton area and wider City of Monash area, with an estimated need for an additional 3,663 Social Housing dwellings as at 2016, projected to increase to 4,786 by 2036. This is likely to be an undercount noting there was a total 5,736 low income households in rental stress in the municipality in 2018;
- Households in the greatest need are very low and low income single persons and couple households and moderate income singles with a significant gap between these household's income capacity and median rents in the area;
- One and two-bedroom Social or Affordable rental Housing the most appropriate housing response for these households with a wider market need to increase the supply of these smaller dwellings;
- There is a high number of older persons and persons with a disability living in the City of Monash that may require Affordable Housing if they haven't entered home purchase;
- A percentage of low income mortgage holders are in housing stress and may require Affordable Housing if they cannot service their mortgage;
- Moderate income households are expected to struggle to enter home ownership without a significant deposit or assistance.

²⁷ Minimum supply of social housing, Eastern Metropolitan Region, 2014
https://www.knox.vic.gov.au/Files/HousingStrategy/Minimum_Supply_of_Social_Housing_Eastern_Metro_Region_2014_-_2036.pdf



Part C: Affordable Housing Programs and Delivery Models



Affordable Housing Programs and Delivery Models

Affordable Housing program outcomes that could be delivered as a result of a negotiation include:

1. Sale to an eligible moderate-income household at a defined affordable market price without discounting;
2. Shared Equity home ownership;
3. Social Rental (income-based rent setting) of Affordable Rental (discount to market rent).

Further details on these programs and the core financial consideration is set out below. A combination of outcomes may be agreed as part of a planning negotiation.

| Housing Program | Key Characteristics |
|-----------------------------|---|
| Social or Affordable Rental | <ul style="list-style-type: none"> • Social Housing is housing owned or managed by the State Government (public housing) or a registered housing agency (community housing). This housing is rented to very low or low income households, with income eligibility set by the State Government. Outcomes expected to be achieved under a negotiation are community housing owned and/or managed; • Households are required to be registered on the Victorian Housing Register which categorises applicants into ‘priority access’ and ‘register of interest’ households. Different income eligibility requirements apply to each category. • Rents for dwellings managed by registered housing agencies are set at a maximum of 30 per cent of household income plus Commonwealth Rent Assistance (‘social rental housing’), or to a maximum of 74.9 per cent of market rent (‘affordable rental housing’). • Both tenures provide significant security of tenure for residents with provision generally ‘for life’. • Affordable rental housing is housing that is provided at a discount to market rent to households that meet Social Housing or <i>Planning and Environment Act</i> Affordable Housing income eligibility requirements. This housing may be provided on a long-term basis if owned by a registered housing agency or could be for a set period of time such as dwellings rented under the National Rental Affordability Scheme (10 years). The level of discount is typically a minimum 25.1% to enable GST concession. |
| Shared Equity | <ul style="list-style-type: none"> • Shared equity entails a household that has some capacity to borrow funds to be able to purchase a dwelling through an affordable housing purchase arrangement. On future sale the proportional equity provided to assist the household into homeownership is repaid based on the property’s (future) market value. • Typically, the household borrows between 70 and 80 per cent of the value of a property with the remaining percentage or ‘social equity’ provided by government grant, land contribution or developer contribution and captured within an appropriate legal arrangement with the purchaser. • In a planning negotiation the land owner would meet the land and development costs with the land owner receiving the agreed proportion of total sale revenue at settlement. • Shared Equity requires an appropriate arrangement being put in place for the social equity to be held, managed and controlled and reinvested on any future sale or refinancing by the original owner. This ensures there is not a loss of the original developer contribution. |
| Affordable home purchase | <ul style="list-style-type: none"> • New model for Victoria that is operational in other jurisdictions. One option to support a greater number of Affordable Housing being achieved on a site without a cost impact for the developer. • Involves sale of dwellings at the established market price to low or moderate income households if the price is determined to be affordable without a subsidy. • Requires an allocation and income testing process of potential purchasers to ensure dwellings are affordable and allocated to households that meet the Planning and Environment Act Affordable Housing income bands. • Does not require the dwelling to be managed as Affordable Housing in the long term as there is no subsidy or discount that is required to be secured. |

Table 4: Affordable Housing Programs



Delivery Models

Three primary delivery models have been identified by which any of the above Affordable Housing program outcomes could be achieved as a result of a planning negotiation. An outline of each model is summarised below.

| Model | Overview of the Model |
|--|---|
| Gift of completed dwellings for use as Social or Affordable Rental | <ul style="list-style-type: none"> The developer constructs dwellings and transfer the title at no cost to a registered housing agency for use as Social or Affordable Rental Housing. |
| Discounted Sale of Dwellings for use as Affordable Rental Housing | <ul style="list-style-type: none"> The developer constructs dwellings and sells at a defined discount to the established market value to a registered housing agency for use as Social or Affordable Rental Housing. |
| Gift of or discounted sale of land for development as Affordable Housing | <ul style="list-style-type: none"> The developer transfers an agreed parcel of land with the expected capacity to result in an agreed number of dwellings at nil consideration to a Registered Housing Agency; The Registered Housing Agency is responsible for permit approval (if required), financing and developing the agreed number of Affordable Housing units. A mix of Social or Affordable Rental and Affordable home purchase (Shared Equity) may be delivered through this model. |

Table 5: Delivery Models

Commercial Considerations

The delivery of Affordable Housing, as a typically below-market housing outcome, requires a subsidy or other form of investment to meet the gap between market prices and below-market revenue.

Different programs and delivery models have different cost impacts, dependency on third party investment, likely household allocation outcomes, and affordability term which all impact on the number of outcomes delivered and level of delivery certainty. These are all key considerations when determining an acceptable model under a planning agreement.

New emerging rental models also include build-to-rent and rent-to-buy, with a long-term lease arrangement may also be acceptable in some instances. Land owners may look to deliver tailored residential development outcomes such as student housing or retirement or aged care facilities as part of the redevelopment.

Key criteria when assessing these or any other proposed models is whether the proposed built form will result in housing outcomes that are affordable, appropriate and available for very low, low or moderate-income households, with regards also given to the term of affordability and relationship between the proposal and the identified Affordable Housing need.

The cost of delivering an Affordable Housing inclusion could be met through:

- The cost being reflected in the land value when the land is sold from one party to another;
- The developer meeting costs of either land, or land and construction costs, and foregoing part or all of their development return through a gifting or discounted sale arrangement of land or dwellings;
- A third-party bringing equity or debt to support the arrangement;
- Registered Housing Agencies access charitable taxation benefits;
- Government investment through the provision of grant funding typically to a registered housing agency;
- Individual purchasers bringing debt through mortgage financing and equity through a deposit under a shared equity or market sale arrangement;
- A combination of the above.



It is critical that the cost of delivering does not result in the costs being passed on and borne by purchasers of the market dwellings through increased sale pricing.

Key variables that can impact on the amount and type of Affordable Housing that can be feasibly achieved include:

- The value that is being provided through the planning approval process or other mechanisms or incentives that the developer can access through the planning process;
- The location, land values and built form typology and size and development costs;
- Any tenant targeting and allocation requirements including any requirements on rent setting put in place as a condition of government funding, and the subsequent impact this can have on a third party's capacity to raise finance or contribute equity to meet delivery costs;
- The level and type of investment that may be provided by different parties to an agreement and any conditions on this investment such as tenant allocation requirement; and
- Proposed affordability term.

Key Stakeholder Opportunities and Limitations

State Government Investment

As noted in Part A, the State Government is implementing a Social Housing Growth Fund which is intended to provide long-term funding to registered housing agencies to support them to develop and hold Social and Affordable Housing for rental purposes. The first funding round closed on 27 February 2019. The Victorian Property Fund, managed by Consumer Affairs Victoria also runs semi-regular funding rounds for Registered Housing Agencies to apply to.

The Growth Fund is intended to provide a rolling allocation program of funding and could therefore provide an avenue for housing agencies to seek funds to either support a discounted purchase or the development of land provided through a planning process. The Fund is limited, and further investment is required if significant Affordable Housing outcomes are to be realised.

In addition, the State Government is offering registered agencies access to lower cost financing and bank guarantees to reduce financing costs and the Commonwealth Government is implementing a bond aggregator to also offer lower-cost long term financing to the sector.

Other forms of government investment could come through infrastructure investment that further enhances the site value and in capacity to support an Affordable Housing outcome.

In absence of certainty on government investment, the Parties should carefully consider the model and likely delivery and what are acceptable dependencies and in turn risks to the outcome being achieved.

Housing Agency Capacity

As the primary ownership and management vehicle for new Affordable rental Housing supply, the requirements of the not-for-profit Registered Housing Agencies to invest are critical. Of note, a Housing Agency's capacity to invest is based on, and limited by, the proposed below-market revenue, less operating costs and their overall portfolio approach which includes consideration of cyclical and long-term maintenance and replacement costs.

Limitations on who an agency can tenant a property to and therefore what rent can be charged, and operating costs such as rates and owners corporation fees, are critical variables that influence whether an agency can secure borrowings against a property.

As not-for-profit entities, Registered Housing Agencies can access charitable taxation benefits which means GST is recoverable and they do not pay stamp duty.



Some Agencies have the capacity to take on a developer role which can also enable them to deliver a feasibility that does not depend on a development margin in the same way as a private developer. This requires the Agency to have funds and capacity to finance and deliver.

Based on median market pricing for the Clayton area and standard operational cost assumptions, it is estimated a Registered Housing Agency would have capacity to bring up to 50 per cent of market value through borrowing and GST exemptions, although this would be significantly lower if very low or low income households were required to be housed.

Any model that depends on a Housing Agency to purchase, own or manage dwellings must be tested with one or more agencies prior to the finalisation of the agreement.



Proposed Affordable Housing Inclusion – for consideration

Assessment Against the Government’s Framework

The development of a strategy and determination of whether a proposed built form will result in Affordable Housing that is appropriate for the housing needs of very low, low and moderate income households is required to take into consideration a range of ‘matters’ set out by the State. The following table highlights these items and the assessment based on the evidence of need.

| State Government published Matters | Response (Clayton PMP) |
|------------------------------------|--|
| Housing Need | <ul style="list-style-type: none"> • There is a clear need for Affordable Housing, with an estimated 2016 Social Housing Supply gap of 3,363 dwellings; • Council action to facilitate outcomes to address this need are in accordance with the objectives of planning; • The need is greatest for lower income households, particularly singles and couples for whom one and two-bedroom rental housing is required. • The Clayton area has a higher level of households in housing stress than other parts of Monash, indicating a need for increased attention to delivering outcomes in this area; • Affordable Housing that is appropriate for older persons and persons with a disability, particularly single person households, are key areas of need. • There is a gap in affordability of home purchase for moderate income singles, couples and families. |
| Location | <ul style="list-style-type: none"> • Areas with good access to services and transport and that are more suited to medium density development that can deliver smaller dwellings required to respond to need and considered priority locations for Affordable Housing. • The PMP Site is recognised by the State and Council as an area of priority growth, linked to its placement within the Employment Cluster. |
| Type | <ul style="list-style-type: none"> • One and two-bedroom dwellings are identified as the priority built form to meet the unmet and forecast Affordable Housing need in the City of Monash. • A percentage of Affordable Housing dwellings should be fully accessible for people with a disability or be adaptable in the future to respond to population ageing and current need. • Affordable Housing should be built to a quality that is reflective of market standards, with consideration to long-term affordability features balanced against upfront capital costs. |
| Tenure | <ul style="list-style-type: none"> • Both affordable rental and ownership tenures are required to respond to need with emphasis on rental for lower income households. • Affordable rental tenures through a negotiation is expected to be owned and/or managed by registered housing agency. It may also be potentially privately owned dwelling managed under an appropriate Affordable Housing arrangement by a regulated entity. |
| Allocation | <ul style="list-style-type: none"> • A clear and accountable process of ensuring any dwellings delivered as Affordable Housing are allocated to households that meet either the Planning and Environment Act income bands, Social Housing income bands or other Government-backed Affordable Housing program should be required to be put in place by any proponent as a condition of the approval. Dwelling ownership by a registered housing agency is accepted to meet this requirement. |



| State Government published Matters | Response (Clayton PMP) |
|------------------------------------|--|
| | <ul style="list-style-type: none"> • Ownership and/or management by a Registered Housing Agency will meet this requirement, reflecting that agencies are established and regulated as providers and managers of Affordable Housing. • Dwellings for purchase must have a transparent process of allocation that includes income checking. |
| Affordability | <ul style="list-style-type: none"> • Dwellings proposed as Affordable Housing must be clearly intended to be affordable for the proposed household target group. An acceptable benchmark is that very low, low or moderate income households should not pay more than 30 per cent of their household income on housing costs. • Ownership and/or management by a Registered Housing Agency will meet this requirement, reflecting that agencies are established and regulated to deliver affordability outcomes. • Evidence that a sale price or shared equity arrangement will be affordable for intended target groups will be required for any proposed purchase model. Management of the shared equity process by an appropriately regulated Not-for-Profit Agency is considered to meet this requirement. |
| Longevity of outcome | <ul style="list-style-type: none"> • The evidence indicates a forecast growing need for Affordable Housing and therefore any new supply that is delivered should be intended for long-term use as Affordable Housing. • Terms of affordability are noted to vary depending on the funding / investment source and conditions of that funding. • Where the State Government or a registered housing agency is the intended owner and manager it is expected the dwelling will be affordable for a considerable period without the need for restrictions on title which could unduly impact on an agency's ability to borrow. |
| Integration | <ul style="list-style-type: none"> • As a principle, integration of Affordable Housing across an area is supported with an objective that Affordable Housing is not overly concentrated in any one area. • Clustering of Affordable Housing may be appropriate in some circumstances due to proximity to transport and/or availability of land or sites as a result of a planning negotiation or government redevelopment or investment strategy. A contribution of land is noted to result in a clustering of Affordable Housing that is considered acceptable on the basis the building is integrated into the wider building environment. • Externally, Affordable Housing should be not look different from market housing. • The requirements of a registered housing agency or other agency responsible for managing Affordable Housing are to be taken in to consideration when determining the placement of Affordable Housing across a single site or precinct. |

Table 6

Recommended Inclusion – for consideration

It is recommended that the following Affordable Housing inclusion is considered by the Council, land owners and the VPA, and subject to agreement by all parties, reflected in the new planning controls:

1. *The delivery of up to ten (10) per cent Affordable Housing by way of one of the following options;*
 - 1.1. *Transfer of a land parcel or parcels with the capacity to support the development of 10 per cent of the site's total dwellings as Affordable Housing dwellings, to be provided to a Registered Housing Agency at nil consideration; or*
 - 1.2. *Sale of four per cent of total dwellings as completed dwellings at a 50 per cent discount to the established market value to a Registered Housing Agency for use as Affordable (rental) Housing; or*
 - 1.3. *The gifting of two per cent of total dwellings as Affordable Housing, delivered in the form of completed dwellings gifted to a Registered Housing Agency for use as Affordable (rental) Housing; or*



- 1.4. *Any other model that achieves ten per cent of total dwellings as Affordable Housing for a minimum 15-year period, on the condition that these dwellings are managed through an appropriately regulated management arrangement and the model is subject to the approval of the Responsible Authority.*

To provide further guidance, it is recommended the development of land should aim to achieve 30 per cent Affordable (rental) Housing (i.e. 3 per cent of the 10 per cent) with an allowance for other affordable rental or Affordable Purchase (shared equity or rent to buy) on the remainder of the nominated land parcel(s) on the basis these outcomes are in line with the State Government definition and policy.

Further considerations / items to be finalised

In addition to confirming the percentage and delivery model(s), a range of other matters require consideration by the Parties to finalise an arrangement for the purposes of the planning control and to ensure clarity as to the delivery process going forward. This includes consideration of:

1. The specific clauses for the planning controls and where these are best placed;
2. Whether a floor space equivalent measure should be used instead of a percentage of total dwellings as this would support the ability for a Registered Housing Agency to work with the land owner to determine the appropriate distribution of the floor space by dwelling type and size at the point the development occurs;
3. Registered Housing Agency support for the options, in particular those options that require it to purchase dwellings or develop land and therefore bring equity and/or debt and/or secure other government funding;
4. Timing by when the Affordable Housing delivery must commence and be completed by, recognising there are multiple land owners and likely delivery timeframes;
5. Whether the outcomes can be delivered in single stage or across stages;
6. The level of detail required to be captured in a Section 173 Agreement.

It is recommended the Parties draft a term sheet as part of the planning finalisation, with these terms to occur through a Section 173 agreement post the gazettal of the rezoning.

