



AFFORDABLE
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Preston Market Affordable Housing Strategy

November 2020



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EXECUTIVE SUMMARY

Affordable Development Outcomes was engaged by the Victorian Planning Authority ('VPA') and the City of Darebin ('Council') to undertake an analysis and make recommendations as to how Affordable Housing could be facilitated within the Preston Market precinct ('the Site') by the 'Preston Market Developments Pty Ltd' ('landowner') as part of the proposed planning amendment.

Development of a proposed Affordable Housing Strategy is part of a wider review of the strategic planning controls of the Site, led by the VPA under the direction of the Minister for Planning, undertaken in partnership with Council.

Development of the strategy has given regards to the legislative framework for Affordable Housing established under the *Planning and Environment Act 1987*, the site history and current planning expectations, State and Council objectives for Affordable Housing, local Affordable Housing demand, Registered Housing Agency capacity and requirements to partner, and the range of potential ways in which Affordable Housing can be facilitated.

The strategy set out within this document is intended to form the basis for agreement between the landowner, the VPA and Council, and reflected in new planning controls and associated legal arrangements.

Affordable Housing through the Planning System

Plan Melbourne and *Homes for Victorians* recognise that the planning system has a role to play in the delivery of Affordable Housing.

The facilitation of the provision of Affordable Housing is an objective of the *Planning and Environment Act 1987*. Affordable Housing is defined in the Act as "housing, including Social Housing, that is appropriate for the housing needs of very low, low and moderate income households". Household income bands are published annually and set the maximum income a very low, low or moderate income household can earn to be eligible for Affordable Housing delivered under the Act.

Social Housing is a form of Affordable Housing that is owned and/or managed by the State Government or a Registered Housing Agency and rented to very low or low income households as established under the Victorian Housing Register.

The provision of Affordable Housing as an objective is reinforced in the State Planning Policy Framework (SPPF), which includes objectives and strategies 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.

The provision of Affordable Housing is not a mandatory planning requirement; however, the State Government actively encourages agreement to be reached between a landowner and Council or Responsible Authority at the point of planning amendment or approval. There is no dwelling percentage, discount rate or Affordable Housing delivery model established by the State Government or Council. Each negotiation is site-specific and subject to agreement between the parties.

The State Government has released a policy framework to guide a responsible authority and landowners in negotiating an Affordable Housing agreement. This framework informs the recommendations within this Report and is summarised at Part A.

The key criteria are that a dwelling should be:

- Appropriate in terms of tenure, dwelling type, size, amenity and location;
- Affordable in terms of rent or mortgage repayments, with the commonly accepted benchmark that lower income households should not pay more than 30 per cent of income on housing costs;
- Allocated to eligible households that earn below the government established income bands; and
- Managed as Affordable Housing for an appropriate period.



Context

Development of the proposed Affordable Housing strategy took into consideration:

1. Support set out within the Victorian planning legislation and State and Council planning and housing policies for Affordable Housing to be facilitated through the planning approval process, with a strong correlation between the intent of these policies and the specific objectives in relation to Affordable Housing set out within the *Preston Central Structure Plan*, the *Schedule to the Priority Development Zone* and the *Preston Markets Incorporated Plan 2007*;¹
2. State legislative and policy which provides a framework and set of criteria by which parties can establish whether a proposed built form will result in Affordable Housing, and informs what an appropriate Affordable Housing negotiation process and subsequent agreement may entail;
3. Strong strategic justification for the need to increase Social Housing and affordable rental housing for very low and low income households and affordable home purchase options for moderate income households in the City of Darebin, based on evidence of supply and demand. Of note there is:
 - An estimated Social Housing Shortfall of 3,789 dwellings that were required to be appropriate, affordable and available to very low and low income residents of the City Darebin (2016);
 - An estimated need of approximately 9,321 Social Housing dwellings required in the City of Darebin by 2036, representing 10 per cent of dwellings, if the housing needs of very low and low income residents estimated to require Affordable Housing are to be met;
 - An average of 28 per cent of all forecast dwellings forecast to be delivered per annum over the next twenty years that would need to be delivered as Social Housing to address unmet and forecast demand by very low and low income households;²
 - A significant gap between local housing prices points for rental and purchase and moderate income household financial capacity to rent or purchase;
 - A mismatch between existing housing stock and current and forecast household profiles, with an oversupply of three-bedroom dwellings and an undersupply of one and two-bedroom dwellings relative to current and forecast household size.
4. Evidence that Affordable Housing has been generally accepted as a planning and development objective by the landowner and Council prior to the initial rezoning in 2006. Affordable Housing objectives are noted to be set out in the 2007 Incorporated Plan and Affordable Housing arrangements were attempted to be negotiated in relation to permit applications for the Site in 2017;
5. The need to ensure any resulting Affordable Housing will be appropriate in accordance with criteria established under the *Planning and Environment Act 1987*, and managed with regards to the allocation, affordability and long-term management of the built form for an acceptable period;
6. The importance of there being a commercial outcome based on sufficient value (which may be capacity within the development feasibility and/or value provided by other parties in the form of subsidy or investment or incentives) to support the provision of Affordable Housing being delivered, recognising that this form of housing is typically provided as a below-market response;
7. The need to balance the desire for greater certainty of delivery with the need to allow for innovation and responses to emerging Affordable Housing funding initiatives over time;

¹ It is noted that these controls form part of the planning review and do not provide specific detail as to how the objective may be achieved.

² Affordable Development Outcomes analysis (2019)



8. Opportunities to enhance any proposed Affordable Housing outcome that is negotiated under a planning amendment process with Federal and/or State Government, institutional, philanthropic individual and/or community housing sector investment;
9. The Council's emphasis on supporting Social Housing and other forms of Affordable Rental Housing for lower income households based on their assessment of need;
10. The site-specific nature of voluntary planning agreements, that requires the specific site history, land ownership, current and intended planning framework to be considered to inform what may be an appropriate and viable delivery agreement; and
11. The need for greater clarity for all parties and the community in relation to the wider site planning and development controls and end-use, including in relation to an Affordable Housing objective, and how this is defined and translated into the planning controls and specifically into a delivery process on a precinct and a single-site basis;

Proposed Strategy

The following Affordable Housing arrangement is recommended for the consideration of the landowner, the VPA and the Council.

The intended structure of the approach aims to provide a higher level of certainty that Affordable Housing will be delivered, whilst providing for a degree of flexibility to allow for the specific quantum of outcomes and delivery model to be confirmed by the landowner at an appropriate point in time.

The proposed Affordable Housing inclusion is for:

1. *The delivery of **up to ten (10) per cent** of the Site's total residential yield as Affordable Housing by way of one of the following options:*
 - 1.1. *The **transfer of land** that has the demonstrated capacity to support the development of **10 per cent** of the site's total residential yield as Affordable Housing dwellings to a Registered Housing Agency **at nil consideration**, for the Agency to develop and rent and/or sell completed dwellings to Eligible Households;*
*An average 65 m² / unit is proposed to be used to calculate the amount of land to be provided; **or***
 - 1.2. *The **construction and transfer of title** of **three per cent** of dwellings to a Registered Housing Agency **at nil consideration** for the Agency to rent to Eligible Households; **or***
 - 1.3. *The **sale of six per cent of completed dwellings** by way of:*
 - 1.3.1. *Sale of a minimum three per cent of completed dwellings to a Registered Housing Agency at an appropriate discount to the market rate, for the Agency to own and rent to Eligible Households; and*
 - 1.3.2. *Sale of a maximum three per cent of completed dwellings to Eligible Households under an appropriately regulated Affordable Home Purchase arrangement, with the contribution provided by the landowner (the 'social equity contribution') to be appropriately secured, managed and reinvested on future sale or refinancing by the original purchaser; **or***
 - 1.4. *Any other delivery arrangement where the landowner demonstrates to the satisfaction of the Responsible Authority:*



- 1.4.1. *The contribution is of an **equivalent value** to Affordable Housing that would otherwise be provided by the landowner under option 1.2 (three per cent gifting of dwellings) by way of a **discount to dwelling sale price and/or to rent**; and*
 - 1.4.2. *That the dwellings will respond to the Matters published under the Act and result in dwellings that are appropriate, affordable and allocated to Eligible Households; and*
 - 1.4.3. *That the dwellings will be retained as Affordable Housing for a minimum thirty-year period, or equivalent period calculated with regards to the number of dwellings to be provided.*
2. *Under any of the options, a minimum of three per cent of the total dwelling yield on the site must be utilised as rental housing suitable for a very low or low income household as defined under the Act.*

A set of proposed principles and process for the Parties to confirm the Affordable Housing agreement is set out in Part C.

Subject to agreement by the Parties to this proposal, or an appropriate and agreed alternative model, it is recommended that:

1. The Affordable Housing built form outcome reflects the priority need for one and two-bedroom dwellings, with the final mix by bedroom type and location to be determined with the advice of a Registered Housing Agency.
2. The agreed quantum and delivery option(s) is reflected in a revised Schedule to the Zone, with a requirement the landowner:
 - Enter a Section 173 Agreement establishing the process of delivery on Gazettal of the new controls and prior to development occurring;
 - Submit an 'Affordable Housing Delivery Plan' at the point of seeking the first planning permit approval following the rezoning that would set out how the landowner intends to achieve the Affordable Housing outcome in accordance with the Zone and agreed delivery models.
3. The Section 173 Agreement set out the agreed delivery options, the requirements of an 'Affordable Housing Delivery Plan', timeframes by which delivery of Affordable Housing must be progressed, and process of proving delivery.
4. The following timeframes are adopted and reflected in the Section 173 Agreement with a requirement that at each permit application stage the landowner or developer is required to report on progress against the Affordable Housing Delivery Plan and the achievement of the timeframes in accordance with the Schedule:
 - 50 per cent of the minimum agreed Affordable Housing component for the precinct (i.e. 50 per cent of 3 per cent of residential yield) to be delivered (practical completion) by the point that 60 per cent of total anticipated residential yield has reached practical completion; and
 - 100 per cent of the total agreed Affordable Housing component of the precinct to be delivered at the point that 85 per cent of the total anticipated residential yield has reached practical completion.



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*). Affordable Housing includes:

- **Social Housing (Public and Community Housing)**

Social Housing for the purposes of this Framework 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) where the dwelling will be allocated to a household that meets the State Government published Social Housing income and asset eligibility requirements.

- **Affordable rental Housing**

Affordable rental Housing refers to housing that is rented at an affordable price and allocated households that meet the *Planning and Environment Act 1987* Affordable Housing income eligibility requirements.

- **Affordable Purchase**

Affordable home purchase entails the sale of dwellings at the established market price to low or moderate income households if the market price is demonstrated to be affordable for that household without a discount.

- **Shared Equity Home Ownership**

A program whereby a household that has some (limited) capacity to borrow funds is able to purchase a dwelling through an affordable purchase arrangement with any equity contribution secured and repaid on future sale or refinancing.

Affordable Housing Delivery Plan

Plan to be developed by the landowner and submitted as part of the first development application following the rezoning, setting out the way in which Affordable Housing will be achieved in accordance with the strategy and Section 173 Agreement.

Build-to-Rent (BTR)

An emerging asset class in Australia where a purpose-built property is owned by a single investor and occupied by tenants who are offered secure fixed term leases. Units in BTR are not strata-titled and cannot be individually sold or separately managed. Dwellings within a BTR could be structured as Affordable rental Housing.

Eligible Household

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

End Recipient

The intended recipient owner of an Affordable Housing dwelling created as a result of the 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.



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 *Housing Act 1983*, regulated by the Victorian Housing Registrar, with a purpose to own, manage and/or develop affordable rental housing.

Section 173 Agreement

An agreement between the landowner and Council and/or Responsible Authority setting out an agreement in relation to the use of the land.

Social Housing

Social Housing includes Public Housing (owned and managed by the Director of Housing); and housing owned, controlled or managed by a Registered Housing Agency where the dwelling will be allocated to a household that meets the Victorian Housing Register eligibility requirements.

Victorian Housing Register

The Victorian Housing Register is a register of households that are eligible for Social Housing in Victoria. Income and asset tests apply.³

³ Department of Health and Human Services (2020) Apply for Social Housing; <https://www.housing.vic.gov.au/victorian-housing-register> and <https://www.housing.vic.gov.au/apply-social-housing>



PART A: CONTEXT



Affordable Housing Overview

'Affordable Housing' is defined under the Planning and Environment Act 1987 as:

'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.'

Household income bands to define very low, low and moderate income households (Table 1) and 'matters that are required to be given regards to' when determining appropriateness of housing needs for these households are published under the Act (Figure 1). These provide a framework for determining who is an 'Eligible Household' and whether a proposed built form will result in an appropriate Affordable Housing outcome for these households.

Household type	Very Low Income	Low Income	Moderate Income
One adult	<\$26,090	\$26,091 - \$41,750	\$41,751 - \$62,610
Couple	<\$39,130	\$39,131 - \$62,620	\$62,621 - \$93,920
Family	<\$54,780	\$54,781 - \$87,687	\$87,688 - \$131,500

Table 1: Affordable Housing Income Bands, Greater Melbourne July 2020 – June 2021



Figure 1: Criteria to inform type of built form that will be appropriate as Affordable Housing

Affordable Housing covers a spectrum of programs, including supported, crisis and transitional housing, Social Housing (public and community housing), disability Housing, affordable rental housing, shared equity home ownership and potentially affordable home ownership (Figure 2).

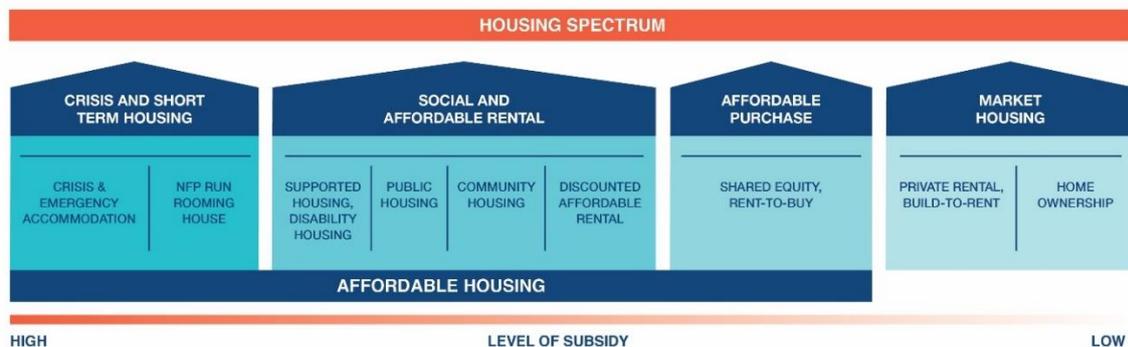


Figure 2: Housing Spectrum showing range of Affordable Housing programs (Source: Affordable Development Outcomes)



Criteria for confirming Affordable Housing at the planning application stage

In line with matters established under the Act, the following criteria is recommended to be applied to test and confirm that an appropriate Affordable Housing arrangement will be delivered:

The built form will 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 that meet defined income eligibility either to purchase, or rent; and*
- *Allocated to very low, low or moderate income households.*

Regards is also required to be given the process of achieving this outcome, the intended ownership and management of the intended Affordable Housing, and to how to ensure there are adequate safeguards to ensure this criterion will be met.



Site and Planning History and Context

The Preston Market is a privately owned and operated fresh food and specialty market adjacent to the Preston railway station and within the Preston Central Activity Centre. It is located approximately 9.5 km north-east of central Melbourne, 500 metres north of Bell Street, immediately adjacent to Preston Train Station and High Street shops.

The ‘Preston Market Urban Renewal Precinct’ (the Site) includes the area illustrated in Figure 3 and is recognised as a strategically important redevelopment site.

The majority of the Site is under the ownership of ‘Preston Market Developments Pty Ltd’. VicTrack owns the railway corridor to the east and individual owners have very small holdings within the Site boundary.

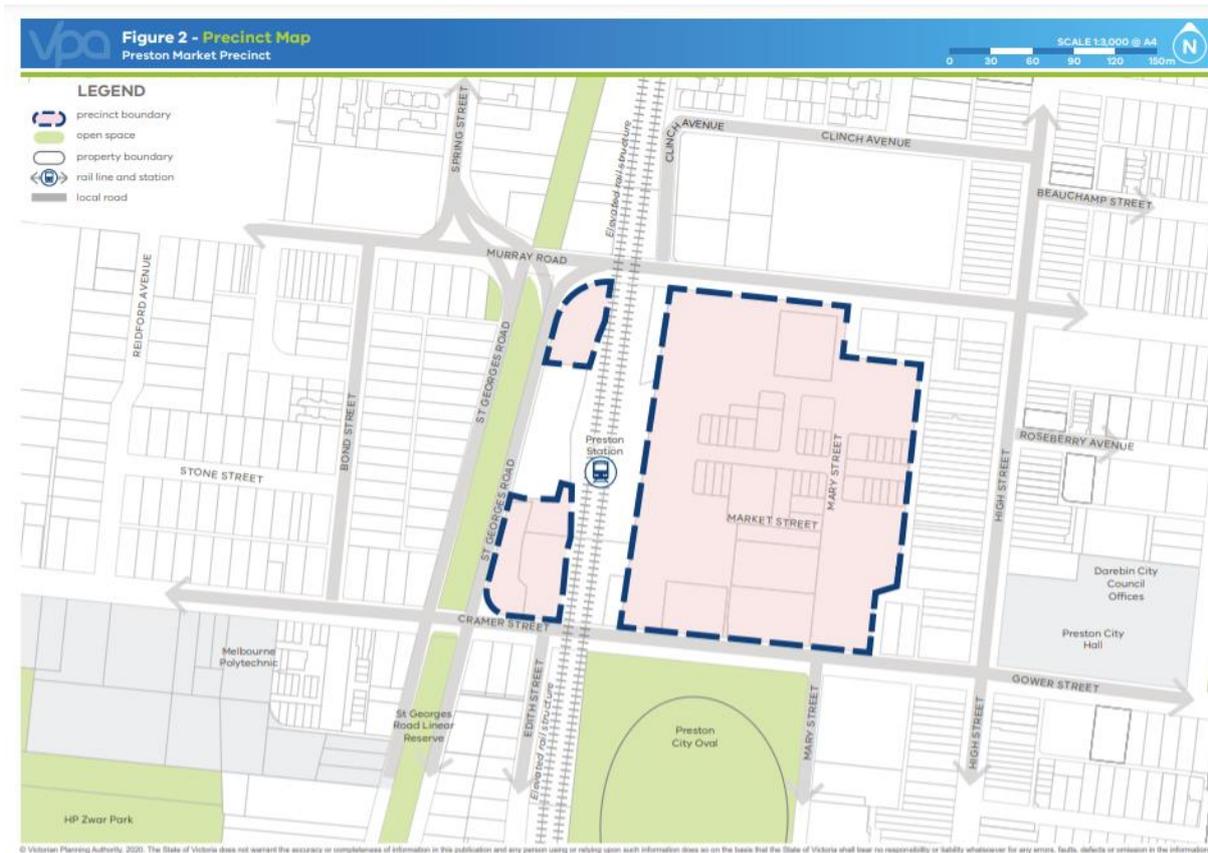


Figure 3: Preston Market Urban Renewal Precinct (Source: VPA)

Clause 21 of the Darebin Municipal Strategic Statement identifies Preston Central and Preston Market as a major retail area. The Preston Central Structure Plan was adopted in 2006 and set out a vision for how Preston Central was expected to be developed at the time.

The Structure Plan recognises the importance of Affordable Housing provision to the community and notes:

“A strategy has been developed to address affordability. It centres on encouraging the retention of existing and new opportunities for affordable and appropriate housing in Preston Central through:

- *Applying appropriate planning policies to encourage the private development of the Market to provide affordable and appropriate housing.*
- *Advocating at state and federal levels to improve the supply of Affordable Housing in Preston Central.*
- *Investigate opportunities for Council owned land to be used for Affordable Housing.”*



The Plan noted that there was “a need for single-bedroom, affordable bed-sit accommodation.” ‘Encouraging affordable and accessible housing’ was also identified as a goal and specific reference is made to the Market as an opportunity to respond to this objective.

In 2006 the primary landowner sought an amendment to the zone and following an independent panel process, the Site was rezoned from Business 1 to Priority Development Zone 1.

The change in zone resulted in a significant change in potential use and included the establishment of enhanced (preferred) heights and removal of third-party appeal rights for developments generally in accordance with the Schedule. These changes are reasonably expected to have resulted in an uplift on the value of the land, noting that this uplift is not be realised until the land is developed or sold.

The objectives of the zone include a requirement “to implement the use and development objectives and design principles of the Preston Market Incorporated Plan (2007)”. The Incorporated Plan was endorsed as the Incorporated Plan under Schedule 1 to the Zone and set out the vision and key objectives to underpin the development of the Site.

The Incorporated Plan 2007 included a ‘Use and Development Objectives’ *“To facilitate high density residential development, including affordable housing opportunities”*. This highlights that Affordable Housing was considered a key requirement of any development as part of the rezoning, although no percentage, definition or detail on delivery models was included within the Plan.

In 2014 the landowners sought an amendment to increase the heights across the Site. This amendment was not progressed. The proposed amended Plan did not remove the Affordable Housing objective.

Permit applications for three buildings were lodged in 2017. Affordable Housing was not proposed within these developments. The applications were refused by Council on the grounds that the development did not meet the requirements of the Darebin Planning Scheme, including that *“the application does not facilitate affordable and social housing opportunities”*.⁴

The permits were approved by VCAT without an Affordable Housing component.⁵ As at November 2020 the developments are understood to have not progressed to construction.

In 2017 the Minister referred directed the VPA to undertake a review of the site planning controls in conjunction with Council. The development of an Affordable Housing strategy forms part of the process of review.

⁴ City of Darebin (2017) Minutes of Council 27 February 2017

⁵ VCAT Reference No. P565/2017 & P569/2017



Why Affordable Housing is Required

Access to an adequate standard of living, including housing, is foremost a human rights issue.⁶ Without appropriate shelter, a person's ability to live and participate in their society to their full potential is significantly decreased.

Affordable Housing is required to accommodate diversity in a community, to maintain social cohesion, and to support and sustain local economies with a range of services and businesses.⁷

Access to appropriate and Affordable Housing that is well located is critical to economic productivity and the efficient functioning of a city. Without local Affordable Housing it is difficult for key employment sectors to attract and retain employees or workers are face significant time and cost pressures to access employment. This has wider implications on family functioning and environmental impacts due to an increase in car usage.

A lack of Affordable Housing therefore has negative impacts from both a social and economic viewpoint and is critical economic and social infrastructure.

The provision of, and safeguards to protect sufficient appropriate and adequate Affordable Housing supply has significant social and economic benefits for individuals, families, the wider community and the economy, with established linkages with households':

- Health and wellbeing;
- Capacity to participate in education and the workforce;
- Rates of family violence;
- Level of reliance on social supports and high cost welfare services; and
- Participation in society.

The facilitation of Affordable Housing is an objective of planning and relates to wider objectives to ensuring the sustainable development of land.

The significant evidence of need for Affordable Housing, particularly Social Housing, in Darebin is confirmed at Part B at confirms that Affordable Housing is required to ensure all households have access to appropriate and affordable housing.

Who Requires Affordable Housing

People across all life stages can find themselves in need of Affordable Housing at any time due to limitations on their income generating capacity. This may be a long-term constraint (for example, persons who are aged, disabled, suffer from chronic ill health or are a primary carer and therefore unable to work), or a short-term issue (for example, as a result of loss of employment, family violence or family breakdown, short-term illness or disability). There is also a range of low paying and increasing casual jobs that do not provide a significant income, particularly for single persons or sole parents.

Very low and low-income households are traditionally the key target group for Affordable Housing (which has largely been provided as Social Housing for very low to low income households). Moderate income households are also recognised as potentially requiring Affordable Housing under the new legislated definition. Affordable rental or ownership outcomes may be appropriate for these households.

⁶ ICESCR, Article 11 quoted in statement from <http://www.humanrights.gov.au/our-work/rights-and-freedoms/projects/housing-homelessness-and-human-rights>

⁷ University of Melbourne, Melbourne School of Design - Transforming Housing (2016) Affordable Housing for All. Melbourne: Faculty of Architecture, Building and Planning, University of Melbourne; 2016.



64 per cent of households in Greater Melbourne are estimated to fall within the State Government published Affordable Housing income bands and could therefore be eligible for and require Affordable Housing.⁸

For very low income households (approximately 25 per cent of the population) a higher subsidised form of Affordable Housing such as Social Housing will be most appropriate. For other low to moderate income households in paid employment who fall within the Affordable Housing income bands, long-term, secure and affordable (relative to income) rental housing or potentially ownership arrangements will be suitable.

Emerging Affordable Housing models such as rent-to-buy, build-to-rent and shared equity home ownership could also provide an appropriate and affordable ownership opportunity, thereby also having the effect of reducing pressures on the rental market.

Part B establishes that very low and low income households are most in need of Affordable Housing in Darebin – which is expected to be delivered as Social Housing suitable for very low and low income households.

Policy Context

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 Housing ('Registered Housing Agencies').

Homes for Victorians, Plan Melbourne and most recently the Homes Victoria 'Big Housing Build' program 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 have 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.

The State Planning Policy makes several references to Social and Affordable Housing, including:

- Clause 16: Planning for housing should include the provision of land for affordable housing;
- Clause 16.01-4S - Improve housing affordability by:
 - Encouraging a significant proportion of new development to be affordable for households on very low to moderate incomes.
- Clause 16.01-4S - Increase the supply of well-located affordable housing by:
 - Facilitating a mix of private, affordable and social housing in suburbs, activity centres and urban renewal precincts.

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 landowners, and a commitment to develop an Affordable Housing value share tool in the case of rezonings.

⁸ Whitzman, C (2018) Tap Turners and Game Changers: Lessons for Melbourne, Victoria and Australia from Affordable Housing Systems in Vancouver, Portland and Toronto



Local Government

Darebin Council has several policies in place that recognise the importance of Social and Affordable Housing to the municipalities growth. Of note, Affordable Housing is identified as Goal 3 of the *Darebin Housing Strategy 2013 – 2032* which seeks to address housing affordability and social housing needs of the community and includes strategies to:

- *“Encourage the provision of Affordable Housing development in identified Substantial Housing Change Areas (ongoing priority).*
- *Investigate options for specifying Affordable Housing as a component of larger developments (medium priority).*
- *Investigate adopting regulatory incentives and flexible planning provisions for planning permit applications with a commitment to deliver Affordable Housing stock (high priority).”*

Council’s strategy *Responding to Housing Stress – A local Action Plan 2013 – 2017* identifies several strategies aimed at increasing the level of affordable and social housing in Darebin, including to:

- *“Provide a range of incentives to assist developers to include social housing in their development. These may include consideration of parking, height and other variable elements of the planning scheme.*
- *Maximise the use of section 173 agreements to achieve an increase in social and Affordable Housing.”*

Specific planning policies in relation to the Site are set out in the site planning context and history section.

Government Investment Opportunities

In 2017 *Homes for Victorians* included a range of commitments to several funding and financing initiatives that aimed to increase not-for-profit Housing Agency’s financing and funding capacity. Initiatives of relevance include:

- \$1 Billion Social Housing Growth Fund to provide long-term funding opportunities to Housing Agencies to meet capital costs and bridge the gap between rents and costs;
- Low-cost financing and a loan guarantee for Housing Agencies to improve borrowing capacity and terms;
- Government support and funding for shared equity home ownership arrangements; and
- Commitment to the transfer of public housing assets to the community housing sector.

In November 2020 the State Government announced a significant \$5.3b investment package to renew public housing and invest in new Social Housing. The program includes:

- Government spot-purchase of under construction or ready-to-construct dwellings from the private sector;
- Significant capital funding to Registered Housing Agencies to develop land or acquire new properties, underpinned by low-cost loans;
- Funding to support new Affordable Housing supply delivered in partnership with the private and not-for-profit sectors;
- New planning controls to facilitate the fast-tracking approval of Affordable Housing dwellings;
- A commitment to develop a 10-year strategy and a compact with Local Government.

This package of investment will provide for regular funding rounds over the next four years and will significantly enhance the capacity of the Registered Housing sector to purchase properties from the private sector.



It is important to note that where there is a planning agreement to deliver Affordable Housing, it is the expectation of State Government that there is a contribution made by the landowner towards the realisation of this objective, for example the provision of land or discounted dwellings. As this contribution may still result in a subsidy gap, a Housing Agency could then seek to apply its equity and/or debt and government funding to enable realisation of the outcome.

The Federal Government National Housing Finance and Investment Corporation has established an Affordable Housing Bond Aggregator to provide secure and lower cost loans to Housing Agencies, with the intention to increase the organisation capacity to invest in new supply.

Voluntary Planning Agreements

Affordable Housing is not mandated under the *Planning and Environment Act*; however, the State Government is supportive of a Responsible Authority seeking to reach an agreement with a landowner through the planning process.

The State Government has released guidance to support negotiations and determination of an appropriate Affordable Housing outcome.⁹

The guidance emphasises that *“The decision to enter into negotiations and conclude an agreement is voluntary. 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.”*¹⁰

There is an expectation that in the first instance, the Responsible Authority establish the local Affordable Housing need in order to provide strategic justification for entering a negotiation with a landowner. This assessment should give regards to location, built form, and tenure requirements of households in need. Part B of this Report by Affordable Development Outcomes meets this requirement.

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 Household under a Shared Equity Home Ownership arrangement, with a contribution ('Social Equity') provided to assist the household to afford to purchase; or
2. Social Rental (income-based rent setting for very low or low income households, allocated to people registered on the Victorian Housing Register); or
3. Affordable Rental Housing (discount to market rent, allocated to very low, low or moderate income households). This housing could be owned or managed by a Registered Housing Agency or managed under an appropriately structured private ownership arrangement such as in a Build-to-Rent model.

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.

⁹ <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing>, accessed 3 September 2018

¹⁰ Victoria Government Department of Environment, Land, Water and Planning (2020) <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing>, accessed February 2020



Housing Program	Key Characteristics
Social Housing	<ul style="list-style-type: none"> • Housing that is owned or managed by the State Government (public housing) or a Registered Housing Agency (community housing) and rented to households that meet Government income eligibility and asset eligibility that applies to the Victorian Housing Register. • A Registered Housing Agency is a not-for-profit incorporated organisation with a purpose to own and/or operate housing for lower income households that is regulated by the State Government appointed Housing Registrar. Agencies must meet a range of performance standards and reporting obligations and are also regulated by the Australian NFP and Charities Commission and the Australian Taxation Office. • Social Housing outcomes are expected to be owned and/or managed by a Registered Housing Agency. • Rent for dwellings managed by Registered Housing Agency is set at a maximum of 30 per cent of household income and tenants are eligible for Commonwealth Rent Assistance. • Social Housing generally provides a significant level of assurance as to the long-term provision of the housing and its affordability for tenants, with housing generally ‘for life’ and tenants not paying more than 30 per cent of income on housing costs.
Affordable Rental Housing	<ul style="list-style-type: none"> • Affordable rental Housing is housing that is provided at a discount to market rent to households that meet Affordable Housing income eligibility requirements set out under the <i>Planning and Environment Act 1987</i>. A minimum 25 per cent discount is generally expected. • An affordability test applies, with rent expected to be set at either a discount to market or no more than 30 per cent of a household’s gross income. The <i>Planning and Environment Act</i> Affordable Housing income bands may be applied to determine household eligibility. • Affordable rental 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 if time-limited government funding is provided.
Shared Equity Home Ownership	<ul style="list-style-type: none"> • A program whereby a household that has some (limited) capacity to borrow funds is able to purchase a dwelling through an affordable purchase arrangement. • The household borrows between 70 and 80 per cent of the value of a property from a bank, with the remaining percentage or ‘social equity’ provided by either a government grant, a land contribution or a developer contribution in the instance of a planning negotiation (provided through foregone return at settlement). • Shared equity programs require an appropriately regulated sales and management arrangement to source and test the income of a potential eligible purchaser and for the social equity that is provided to be appropriately secured and captured on future sale to enable reinvestment. • In a planning negotiation the landowner would meet the land and development costs with the purchaser paying the agreed (reduced) proportion of market value at settlement. The difference between the market value and the amount paid by the purchaser is the social equity that is then secured by a not-for-profit agency under an established shared equity program. • On the future sale of the dwelling by the first purchaser the proportional equity provided at the start (i.e. 20 – 30 per cent of market value) is repaid based on the property’s (future) market value. • The landowner does not receive a return on their contribution, rather the social equity is reinvested in accordance with an agreement between the not-for-profit agency and the council.

Table 2: Overview of Key Affordable Housing Programs



Emerging Tenure – Build-to-Rent

It is noted that other emerging tenure are under exploration by the market. These programs could support opportunities for longer term tenure security and access to home ownership for households otherwise locked out of the market. Affordable Housing could also be incorporated within these models subject to there being sufficient comfort that dwellings that meet the Affordable Housing criteria set out by legislation and in the Report (i.e. dwellings must be proven to be affordable, appropriate and allocated to very low, low or moderate income households).

Build to Rent (BTR) is one emerging asset class in the Australian property market where a purpose-built property is owned by a single investor and occupied by tenants who are offered secure fixed term leases. Units in BTR are not strata-titled and cannot be individually sold or separately managed. This means any Affordable Housing can not be owned by a Housing Agency which has been the traditional model realised under a planning agreement.

Inclusion of Affordable Housing within a BTR arrangement requires consideration and demonstration of:

- An appropriate discount to rent, linked to affordability for intended target Eligible Households;
- A process to allocate rental properties to Eligible Households over time, ensuring households meet income eligibility requirements over time;
- An appropriate term of use of the dwellings as Affordable Housing;
- Mechanisms to ensure accountability and delivery of the agreed outcomes by a private landowner over time and potentially recourse mechanisms if dwellings are not appropriately managed. This could include management of allocation processes and potentially tenancies by a Registered Housing Agency with regular reporting to Council.

Delivery Models

Three primary delivery models by which any of the above Affordable Housing program outcomes could be achieved as a result of a planning negotiation are summarised below:

Model	Overview of the Model
Gift of completed dwellings for use as Social Housing or Affordable Rental Housing	<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 Social Housing or 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 land for development as Social Housing and/or Affordable Housing Rental or Purchase	<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.
Sale of dwellings to individuals under a Shared Equity Home Purchase model	<ul style="list-style-type: none"> • Sale of dwellings at an affordable price may be progressed via a Shared Equity model. • The developer constructs the dwellings and enters a contract of sale with persons deemed to be eligible purchasers by an independent party (recommended to be a Housing Agency). • Any discounting or foregoing of revenue to enable the sale will require an appropriately regulated shared equity arrangement to be put in place to appropriately secure the difference and reinvest proceeds in the future.

Table 3: Delivery Models

Reflecting emerging innovation such as BTR, other models could also be delivered subject to satisfying criteria set out in the report.



Potential Delivery Partners

It is expected that following the amendment the landowner will be required to enter a partnership with one or more organisations to support the delivery of the agreed Affordable Housing outcome. This could be through the gifting or sale of land or dwellings, or provision of 'social equity' to individual purchasers under a home purchase arrangement, or through a management agreement.

Details on two potential key partner organisations are set out below to support the VPA, Council and landowner understanding of these Agencies role and capacity.

Registered Housing Agencies

Registered Housing Agencies are organisations with a dedicated charitable purpose to deliver and manage Affordable Housing and are recognised as growth vehicles for Affordable Housing by the State Government and are therefore eligible for grants or financial support when it is available.

A Registered Housing Agency refers to an organisation that is a not-for-profit organisation that is registered by the Victorian Government under the *Housing Act 1983* as a provider or operator of Affordable Housing. Agencies are registered as either a:

- Housing Association – the highest level of registration, Associations have greater capacity and experience in developing and owning housing assets and managing larger portfolios and debt; or
- Housing Provider – generally smaller organisations that primarily manage housing on behalf of the State Government, with potential for some assets under direct ownership.

Registration means that the organisation's work must comply with performance standards and reporting obligations that are monitored by an independent Housing Registrar. Agencies are also regulated as charities by the Australian Charities and Not-for-profit Commission and the Australian Taxation Office. These processes provide a high level of government oversight over the operations of the Agency and provides for a step-in mechanism if there is a significant breach in standards or obligations.

Agencies typically provide housing to very low and low income households with income eligibility established by the Director of Housing. Some agencies specialising in supporting certain household cohorts. Agencies have strong links to wrap-around services and will generally link households to other agencies when other supports are required.

A Registered Housing Agency capacity to invest is limited by the below-market return and need to meet all operating costs from rents including long-term maintenance. Some Housing Agencies have the capacity to develop sites which can support some cost savings. This requires the Agency to have funds and capacity to finance and deliver the project which typically requires government grants or other philanthropic funding in addition to the land provision.

Any planning negotiated model that depends on a Housing Agency to purchase, own or manage dwellings should be tested with Agencies prior to the finalisation of a delivery model to ensure it is realistic.

Shared Equity (Affordable Home Ownership) Facilitators

As at May 2019, Victoria has two Shared Equity programs in operation that are supported by the State Government:

1. Victorian Government pilot program 'HomesVic', supporting an initial 400 households through a State Government Shared Equity arrangement. This program requires households to meet income eligibility requirements set by the State, have a 5 per cent deposit, secure a mortgage and find a property to purchase in the market. The shared equity 'social equity' in this program is provided by the State Government with the developer realising full market value. This model is not expected to be applied to outcomes under a planning agreement.



2. Housing Agency established Shared Equity Program established by the National Affordable Housing Consortium, 'BuyAssist Australia'. This or any other model established by a not-for-profit entity is considered appropriate means of delivering shared equity arrangements as a result of a planning agreement.

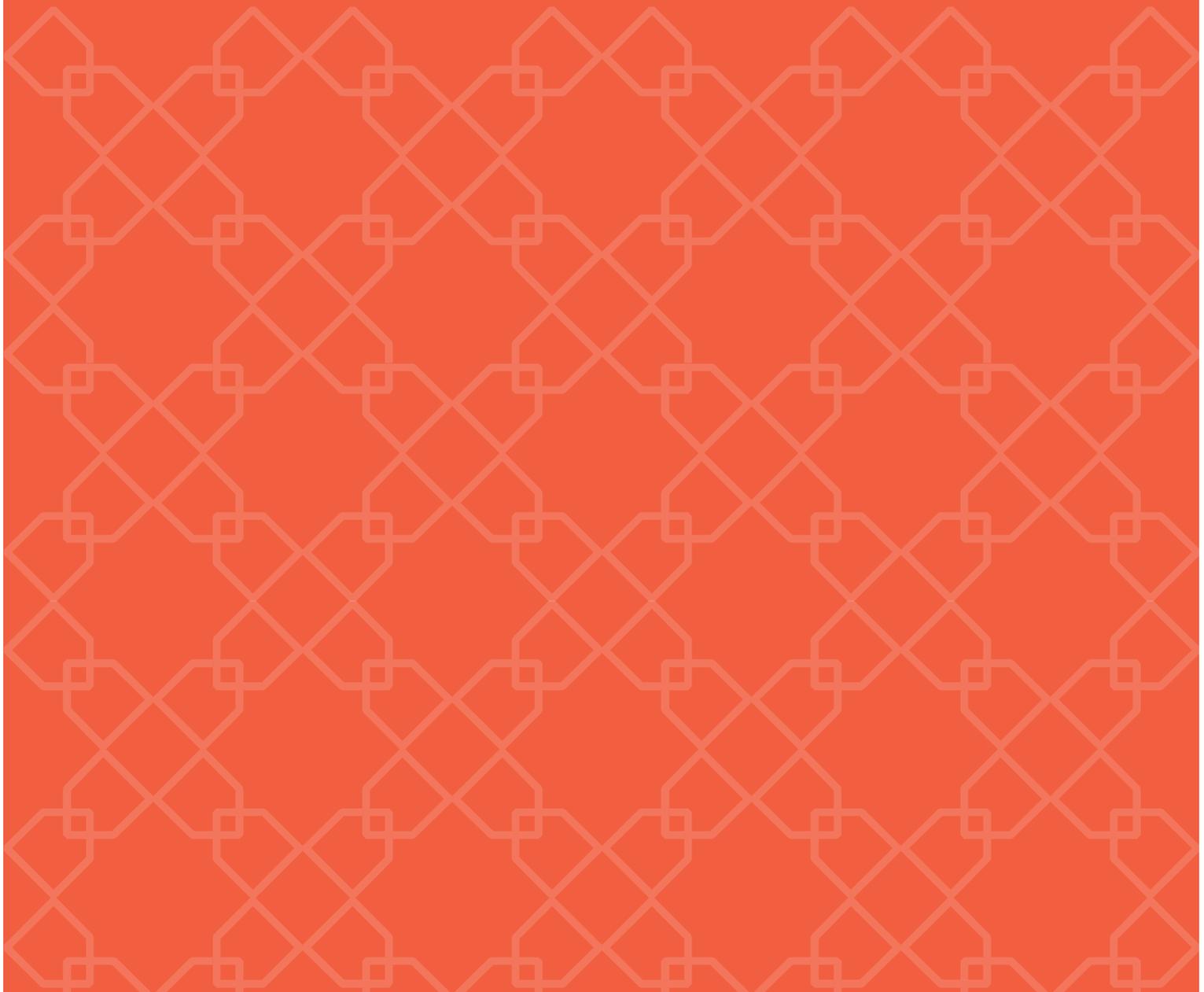
Under a not-for-profit Shared Equity arrangement that is applied to a planning negotiation:

1. The Housing Agency provides advice on the level of landowner contribution required (the 'social equity contribution' or foregone revenue), to ensure the property will be affordable for the household to purchase. The agency undertakes an assessment of household eligibility to confirm the household earns less than the income limits and has capacity to service a mortgage. This process establishes the household's purchasing capacity and in turn the contribution required by the developer.
2. The landowner agrees to forego an agreed percentage of market value and sells the dwelling to an eligible purchaser nominated by the housing agency with regards to Affordable Housing income eligibility and
3. The Housing Agency program markets the properties to households assessed as eligible to purchase and refers the household to enter a contract of sale with the developer.
4. On settlement the developer receives from the purchaser, typically in the form of bank funding, an agreed percentage of the property market value, i.e. 75% of agreed sale price.
5. The Housing Agency enters a legal agreement with the purchaser which enables it to secure an interest in the proportion of market value provided by the developer foregone return.
6. When the purchaser elects to refinance or sell the property, the Housing Agency is repaid the social equity, calculated as a proportion of the end market value based on the proportional equity provided at settlement (i.e. if 30 per cent was provided then 30 per cent of the future value is repaid).
7. The Housing Agency reinvests the proceeds and secures a new shared equity purchaser arrangement for a new dwelling. This can be agreed to be delivered in the local council area or a wider Melbourne region.

Critically, the contribution provided by the landowner (the 'social equity') is secured by the Housing Agency so there is no 'windfall gain' by the first purchaser. The timing of repayment and reinvestment of the equity share is dependent on the purchaser either selling the property or refinancing.



PART B: DEMOGRAPHIC OVERVIEW AND AFFORDABLE HOUSING NEEDS ASSESSMENT



This section provides an overview of key demographics of the Darebin municipality to inform an Affordable Housing needs analysis for Preston and specifically, the characteristics of the Affordable Housing built form and tenure required to meet demand.

Demographic Snapshot

In 2016:

- The usual resident population of the City of Darebin was 146,719 persons, living in 63,562 dwellings with an average household size of 2.43 persons.¹¹ 27.1 per cent of households are Couples with child(ren), 26.2 per cent are lone persons and 21.9 per cent are couples without children;¹²
- Median weekly household income (equivalised) was \$1,423, which is slightly below the Greater Melbourne median of \$1,542 per week;¹³
- 12,641 households earned less than \$495 per week, and a further 11,128 households earned between \$495 and \$864 per week (equivalised income);¹⁴
- It was estimated 970 persons were homeless and a further 560 persons were living in other marginal housing (Table 4).¹⁵

	HOMELESS OPERATIONAL GROUP							OTHER MARGINAL HOUSING		
	Persons living in improvised dwellings, tents or sleeping out	Persons in supported accommodation for the homeless	Persons staying temporarily with other households	Persons living in boarding houses	Persons in other temporary lodgings	Persons living in 'severely' crowded dwellings	All homeless persons	Persons in other crowded dwellings	Persons in other impoverished dwellings	Persons who are marginally housed in caravan parks
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Darebin - South	3	146	25	35	0	42	254	64	0	0
Darebin - North	3	290	70	90	9	253	716	496	0	0

Table 4: Homeless estimates, 2016, Darebin South and Darebin North SA3

By 2041 it is estimated the population will be 230,118 persons, with an increase in the percentage of Couples without child(ren) (24.7 per cent) and lone person households (28.3 per cent). The average household size is also predicted to decline to 2.4 persons.¹⁶

¹¹ ID Consulting (2018) www.id.com.au

¹² ID Consulting (2018)

¹³ ABS (2018) Quick Stats – Darebin, 2016 Census

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

¹⁴ ID Consulting (2018)

¹⁵ ABS (2018) 2049 - Census of Population and Housing: Estimating Homelessness, State and territory by place of enumeration, Statistical Area Level 2, 3 and 4

¹⁶ ID Forecast



Housing Market Snapshot

In 2016:

- 57.2 per cent of dwellings were separate dwellings, 35.6 per cent were classed as medium density and 6.2 per cent as high density;¹⁷
- 9.1 per cent of dwellings had zero to one-bedrooms, 30.5 per cent had two-bedrooms and 52.9 per cent had three or more bedrooms;¹⁸
- 55 per cent of households were purchasing or fully owned their home, 31.5 per cent were renting privately, and 4.3 per cent were in social housing;¹⁹

There has been an increase in private renter households from 28.6 per cent to 31.5 per cent between 2011 and 2016 (Figure 4).²⁰

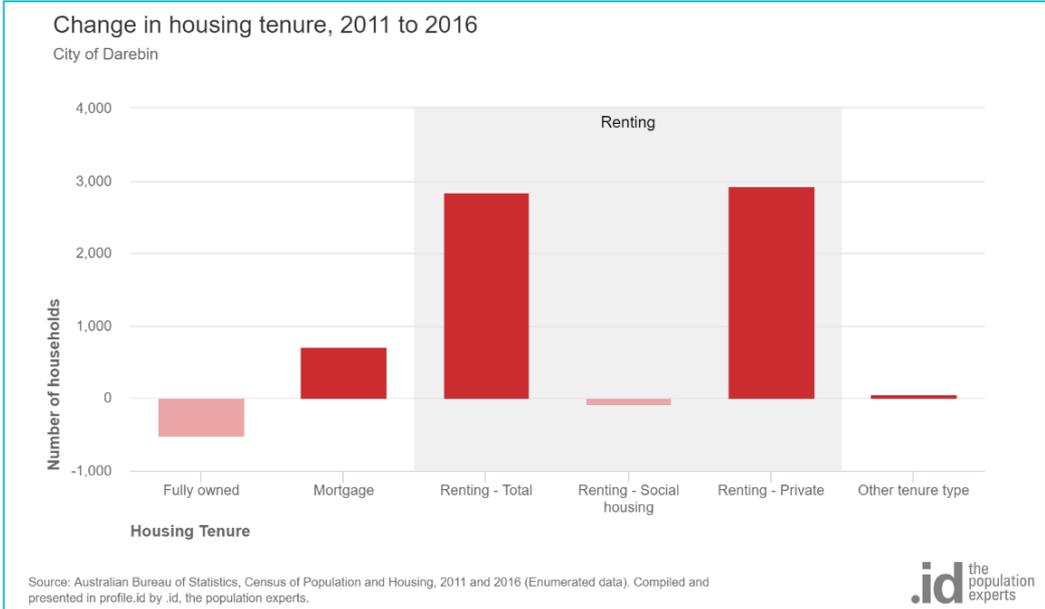


Figure 4: Change in housing tenure 2011 to 2016, City of Darebin

Median prices in 2019 for the Darebin Local Government Area range from \$550,000 to \$970,000 (Table 5). Median prices of units increased by 51 per cent between 2009 and 2019.²¹

Land	\$656,250 (low number of sales)
Unit	\$550,000
House	\$970,000

Table 5: Median Prices based on all Sales, 2019, Darebin LGA

¹⁷ ID Consulting (2018)
¹⁸ ID Consulting (2018)
¹⁹ ID Consulting (2018)
²⁰ ID Consulting (2018)
²¹ Valuer General (2020) Guide to Property Values 2019, author’s analysis



Median prices for the suburb of Preston based on all sales in 2019 were slightly lower than the Darebin Local Government Area median prices (Table 6).²²

Unit	\$490,000
House	\$936,500

Table 6: Median Prices, Preston, 2019

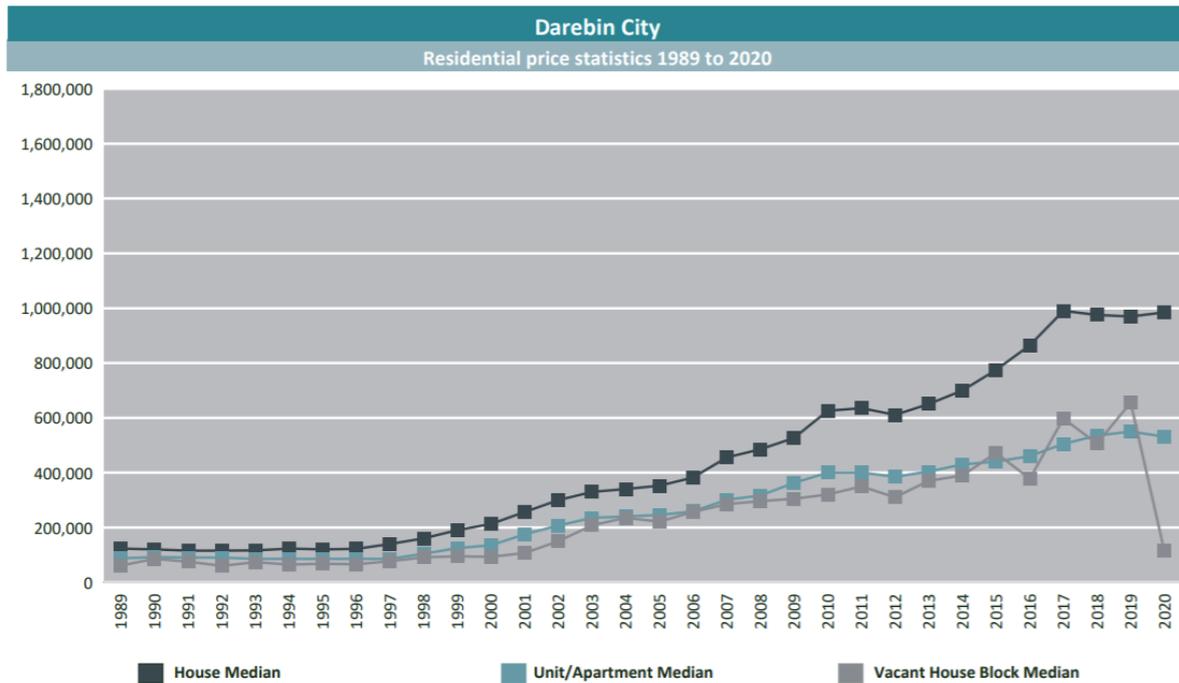


Figure 5: Residential Price Statistics, 1989 - 2020, City of Darebin (Source: VGV 2020)

Home Purchasing and Ownership

- In 2016, 28.7 per cent (16,737) of all households in the City of Darebin owned their own home and 26 per cent (15,159) had a mortgage. Of these:
 - 8,428 households that owned their own home were low income households (earning in the bottom 40 per cent of incomes); and
 - 2,557 households that had a mortgage were low income households.²³
- 1,329 low income mortgage holders were in housing stress in 2016, which represents:
 - 8.8 per cent of all households with a mortgage; and
 - 51.59 per cent of all low income households with a mortgage.

²² The State of Victoria, Department of Environment, Land, Water and Planning (2019) Victorian Property Sales Report, December 2018

²³ 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 bottom 40 per cent of household income



- Between 2011 and 2016 there was a significant decline in households that fully owned their dwelling from 31.8 per cent to 28.7 per cent and in households with a mortgage from 26.7 per cent to 26 per cent.²⁴ Across Australia the steepest decline in households with a mortgage has been for households aged 24 – 35.²⁵

Rental Market Snapshot

In 2016:

- Median rents in June 2020 quarter ranged from \$320 per week for a one-bedroom unit to \$390 - \$450 per week for a two-bedroom unit or house, and \$500 per week for a three bedroom house;²⁶
- There was a relatively higher number of Social Housing dwellings in Darebin (2,486 dwellings in 2016) representing 4.3 per cent of all dwellings in Darebin compared to an average 2.6 per cent across Greater Melbourne. As a proportion of all dwellings, this percentage is declining;²⁷
- Rental affordability of the private rental market for households on statutory incomes across all dwelling types declined from a 15 per cent in 2007 to 1.8 per cent in 2018 (Figure 9), with:
 - 1.8 per cent (119 dwellings) of all private dwellings made available to rent in the Darebin LGA in 2018 were affordable for households on a statutory income (Figure 9);
 - 0.18 per cent of one-bedroom dwellings and 1.1 per cent of two-bedroom dwellings made available to rent in 2018 affordable for households on statutory incomes (Figure 6 and Figure 7).²⁸
- 5,633 lower income households (those in the bottom 40 per cent of household incomes) were in rental stress in the City of Darebin in 2016, representing:
 - 26.6 per cent of all households in the private rental market; and
 - 88.79 per cent of all low income renter households in the City of Darebin.
- Between 2011 and 2016 there was a significant increase in the percentage of households that rented in the private market from 23.1 per cent to 31.5 per cent;²⁹
- As at June 2020 there was a total 1,168 households on the Victorian Housing Registrar for the North Eastern Melbourne (Preston) region; 623 of whom were assessed as priority.³⁰

Private Rental Market affordability – changes over time

- Only two one-bedroom dwellings made available on the market in 2018 were affordable for a single person on a statutory income.³¹
- Affordability of one-bedroom private rental dwellings has declined from 2.1 per cent in 2007 to 0.18 per cent in 2018.
- Only 35 two-bedroom dwellings made available on the market in 2018 were affordable for a couple on a statutory income.
- 55 three-bedroom dwellings made available on the market in 2018 were affordable for a family person on a statutory income.
- Of all dwellings made available on the market in 2018 (including dwellings with four or more bedrooms), 119 were affordable.

²⁴ ID Consulting (2018)

²⁵ <https://theconversation.com/home-ownership-remains-strong-in-australia-but-it-masks-other-problems-census-data-80068>

²⁶ Department of Health and Human Services (DHHS) (2020) Rental Report June Quarter 2020

²⁷ ID Consulting (2018)

²⁸ DHHS, (2017) Rental Report, Time Series, published March 2019, Author's analysis

²⁹ ID Consulting (2018)

³⁰ DHHS (2019) Victorian Housing Register and Transfer List, December 2018

³¹ DHHS (2017) Rental Report, Time Series, March 2019



- Affordability of all rental dwellings made available to rent has declined from 15 per cent in 2007 to 1.8 per cent in 2018.

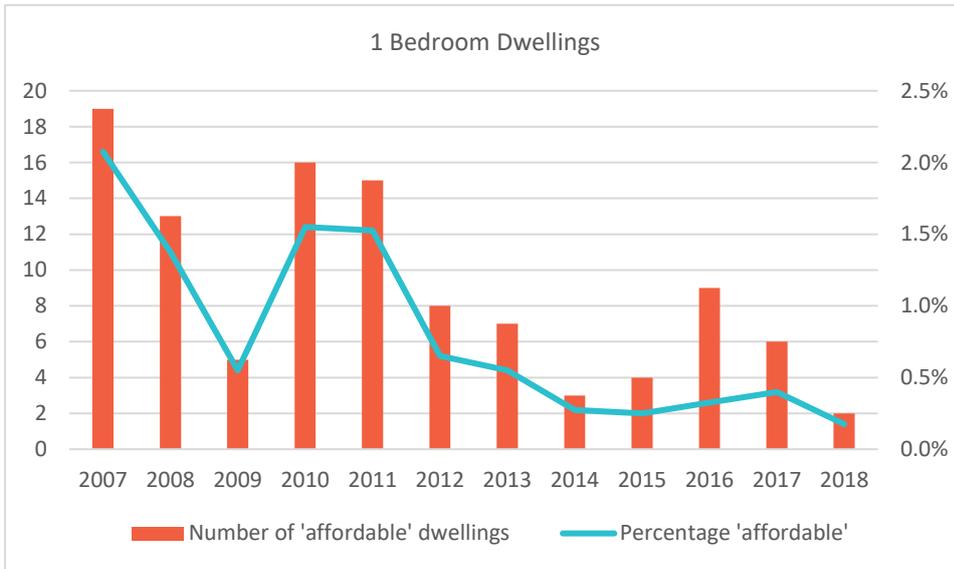


Figure 6: Affordability of new rentals (1 Bedroom), City of Darebin, 2007 - 2018

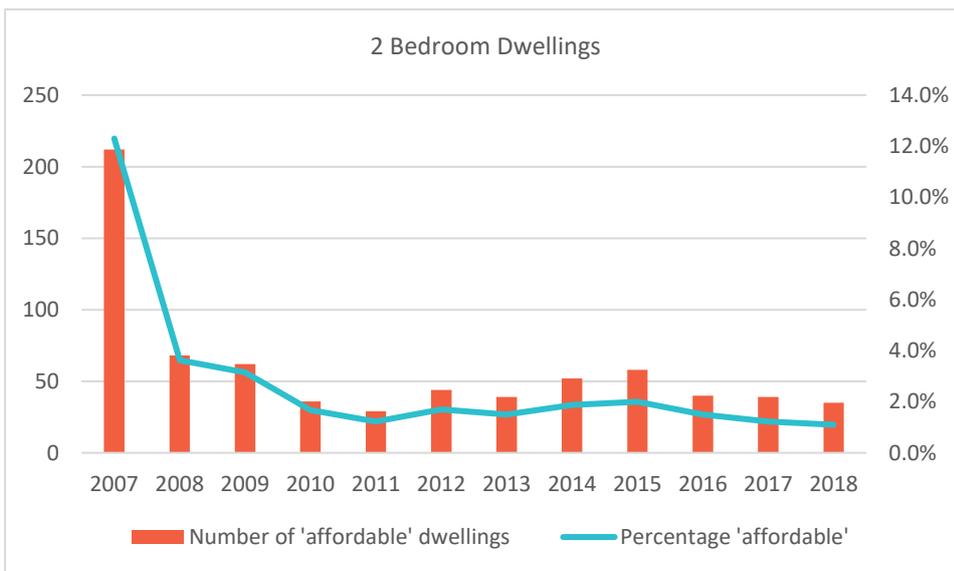


Figure 7: Affordability of new rentals (2 Bedroom), City of Darebin, 2007 - 2018





Figure 8: Affordability of new rentals (3 Bedroom), City of Darebin, 2007 - 2018

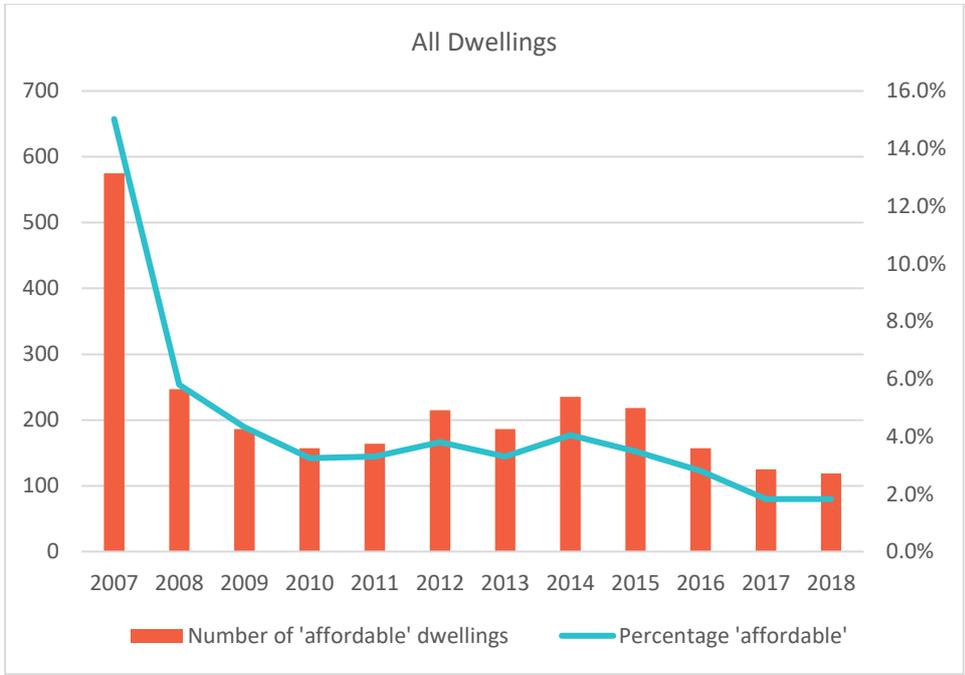


Figure 9: Affordability of new rentals (all dwellings), 2007 - 2018



Affordability Gap Assessment

A preliminary assessment of the affordability of the Darebin private rental market has identified significant purchasing and rental gaps for very low, low and to some extent, moderate income households that fall within the Government published Affordable Housing income bands.

The analysis takes a median price point for different dwelling types for rent and sale in Darebin and compares these price points to the income capacity of the different household types, summarised in Table 7 and Table 8.

House type and median price	Household suitability assessment
1 – 2 BR unit \$355 / week rent \$550,000 purchase	Singles Couples
3 + BR house \$500 / week rent \$970,00 purchase	Families

Table 7: Median Weekly Rent and House price Estimates for modelling purposes (City of Darebin)

Household type	Very Low Income			Low Income			Moderate Income		
	Upper Income Limit	Affordable Rent Range	Affordable Purchase	Upper Income Limit	Affordable Rent Range	Affordable Purchase Range	Upper Income Limit	Affordable Rent Range	Affordable Purchase
Single	<\$26,090	<\$151	<\$135,530	\$41,550	\$151 - \$240	\$135,530 - \$215,840	\$62,610	\$241 - \$359	\$215,840 – \$325,241
Couple	<\$39,130	<\$226	<\$203,269	\$62,320	\$226 - \$360	\$203,269 - \$323,735	\$93,920	\$361 - \$539	\$323,735 - \$487,888
Family	<\$54,780	<\$316	<\$284,567	\$87,250	\$317 - \$503	\$284,567 - \$453,239	\$131,500	\$504 - \$755	\$453,239 - \$683,105

Table 8: Estimated Affordable Rent and Affordable Purchase by household type and income³²

This is a highly indicative assessment, noting that household preferences for dwelling size and type will vary based on circumstances and housing pathways and income capacity will vary by households, with the top of the income bands used for modelling purposes.

Table 9 and Table 10 indicates potential gaps between the upper household income and their capacity to pay (using a 30 per cent of household income on housing costs benchmark –Table 8) and rent or purchase price points – a gap between the income capacity and median prices is shown in red.

³² The assessment to affordable rent is based on 30 per cent of income on housing costs. The estimate as to affordable purchase is based on assumptions of a 10 per cent deposit, 5% average interest rate, 30 year term and 30 per cent of income on mortgage costs



Household type	Very low (50% median)			Low (80% median)			Moderate (120% median)		
	Income Limit	Affordable Rent Gap	Gap % Median Rent	Income Limit	Affordable Rent Gap	Gap % Median Rent	Income Limit	Affordable Rent Gap	Gap % Median Rent
Single (1 BR)	\$26,090	-\$204	57%	\$41,550	-\$115	32%	\$62,610	+\$4	0%
Couple (2 BR)	\$39,130	-\$129	36%	\$62,320	+\$5	0%	\$93,920	+\$238	0%
Family (3 BR)	\$54,780	-\$184	37%	\$87,250	+\$3	0%	\$131,500	+\$255	0%

Table 9: Estimated Rental Affordability Gap (Darebin)

Household type	Very low (50% median)			Low (80% median)			Moderate (120% median)		
	Income Limit	Affordable Purchase Gap	Gap % Median Price	Income Limit	Affordable Purchase Gap	Gap % Median Price	Income Limit	Affordable Purchase Gap	Gap % Median Price
Single (1 BR Unit)	\$26,090	-\$414,470	75%	\$41,550	-\$334,160	61%	\$62,610	-\$224,759	41%
Couple (2 BR Unit)	\$39,130	-\$391,910	71%	\$62,320	-\$226,265	41%	\$93,920	-\$62,112	11%
Family (3 BR House)	\$54,780	-\$748,715	136%	\$87,250	-\$516,761	94%	\$131,500	-\$286,895	30%

Table 10: Estimated Purchase Affordability Gap (Darebin)

The analysis highlights:

- Very low income households have no capacity to purchase or rent a median priced with a significant gap between income capacity and median prices for all household types and dwellings.
- Low income households will struggle to rent median priced apartments, particularly singles, and will not be able to afford to purchase;
- Moderate income households are not likely to be in rental stress with the exception of singles who may struggle, and all households will struggle to afford home ownership;
- An average 27% contribution would be required to support moderate income households to purchase, and average 41% discount to rent required to support very low and low income households currently unable to afford rental housing in Darebin.

Note, this analysis has considered median house price for families. A median priced 3-bedroom dwelling may be relatively more affordable to purchase, however data at this level is not available. The analysis has applied median price points in Darebin and the upper-income band for each group. Specific household circumstances and income and dwelling prices are required for a more detailed assessment to be undertaken.

Social Housing Supply Requirement

Affordable Development Outcomes has estimated that as at 2016, the City of Darebin had 6,275 very low and low income residents (earning in the bottom 40 per cent of incomes) that required Social Housing, representing 10.74 per cent of all households (58,417 households) and 31.24 per cent of all low income households.³³

³³ This analysis assumes all homeless persons (972 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 a Social Housing response. Source: Affordable Development Outcomes (2019).



- To meet this need, 9.88 per cent of all dwellings were required to be affordable and available to rent by very low to low income households (2016 Social Housing Need).
- In 2016, 2,486 dwellings were available as Social Rental Housing in Darebin, representing 3.9 per cent of all dwellings (63,496 dwellings).
- There was subsequently an estimated Social Housing Supply Gap of 3,789 dwellings (5.9 per cent of all dwellings) as at 2016 (the gap between 2016 Social Housing Need (6,275 households) and 2016 Social Housing Supply (2,486 dwellings).
- By 2036, it is estimated that the Social Housing Need will be for 9,321 dwellings (representing 10.3 per cent of all dwellings forecast for 2036).

To address this demand is estimated to require an additional 380 dwellings to be affordable and available to lower income households per annum between 2018 and 2036 (totalling 6,835 dwellings), assuming there has been no change in 2016 levels of social housing and 2016 rates of demand continue.

This represents an average of 28.7 per cent of all new dwelling supply forecast to be delivered per annum over the next twenty years that is required to be delivered as Social Housing to meet the needs of lower income households.

Social Housing Supply Gap, City of Darebin, as at 2016			
a)	2016 Social Housing Need (all households in social housing, all homeless persons, 50% low income households in housing stress)	6,275	Households/dwelling
	2016 Social Housing Need (% of all dwellings)	9.88%	Of all dwellings
b)	<i>Less 2016 Social Housing Supply</i>	2,486	<i>dwellings</i>
c)	2016 Social Housing Supply Gap (# dwellings)	3,789	dwellings
	2016 Social Housing Supply Gap (% of all dwellings)	5.9%	Of all dwellings

Table 11: Estimated Social Housing Supply Gap as at 2016

Social /Affordable Housing Need, City of Darebin, 2036 Forecast			
a)	2036 Social Housing Supply Requirement (based on no change in existing 2016 supply and 2016 rates of low income households and low income households in rental stress)	9,321	dwellings
b)	Forecast new supply (dwellings) per annum between 2016 and 2036 (average # per year)	1,336	Dwellings p.a.
c)	Social Housing Supply Requirement (per annum) from 2018 to meet 2016 Social Housing Supply Gap and respond to forecast 2036 Social Housing Supply Requirement	380	Dwellings p.a.
d)	Average Percentage of all new dwelling supply (2018 – 2036) required to be affordable rental per annum to address forecast 20 year demand	28.71%	Of all dwellings

Table 12: Estimated Social Housing need to meet 2036 demand

Part B Summary and Recommended Affordable Housing Target

The evidence for the City of Darebin highlights:

- Forecast increase in single persons and couple without children will put further pressure on the need for more dwellings (and likely smaller dwellings);
- A significant gap between income of a 'typical' very low, low and also increasingly, moderate income households and the price of properties to rent or purchase in the Darebin market;
- Decline in home ownership rates and corresponding increase in the number of households renting is likely to be putting significant pressures on the rental market;



- Very limited and declining number of private rentals that are affordable for very low incomes households, particularly for singles and couples seeking one and two bedroom dwellings, compounding the issue;
- A relatively high percentage of social housing dwellings relative to Greater Melbourne average, however this is declining as a percentage of total dwellings and is below the estimated percentage required to address demand;
- A need for at least 6,275 dwellings to be affordable, available and allocated to very low and low income households to rent to cater for current low income population requirements in the City of Darebin (representing 9.88 per cent of all dwellings), with an estimated Social Housing Supply Gap of 3,789 dwellings (as at 2016) in the municipality (shortfall of 5.9 per cent of all dwellings);
- An average of 28.7 per cent of all new dwelling supply forecast to be delivered per annum over the next twenty years is required to be delivered as Social Housing to meet the needs of lower income households.

It is noted that these estimates were prepared pre-COVID and therefore do not account for potential changes to population growth or changes to household income.

Recommended Affordable Housing Target

Based on available evidence, there is an established need for 9.8% of all dwellings within the City of Darebin to be affordable for very low and low income households.

To meet this need, a significant proportion (28.7 per cent) of all forecast dwelling supply would be required to be delivered as Affordable Housing suitable for very low and low income households (expected to be provided as Social Housing).

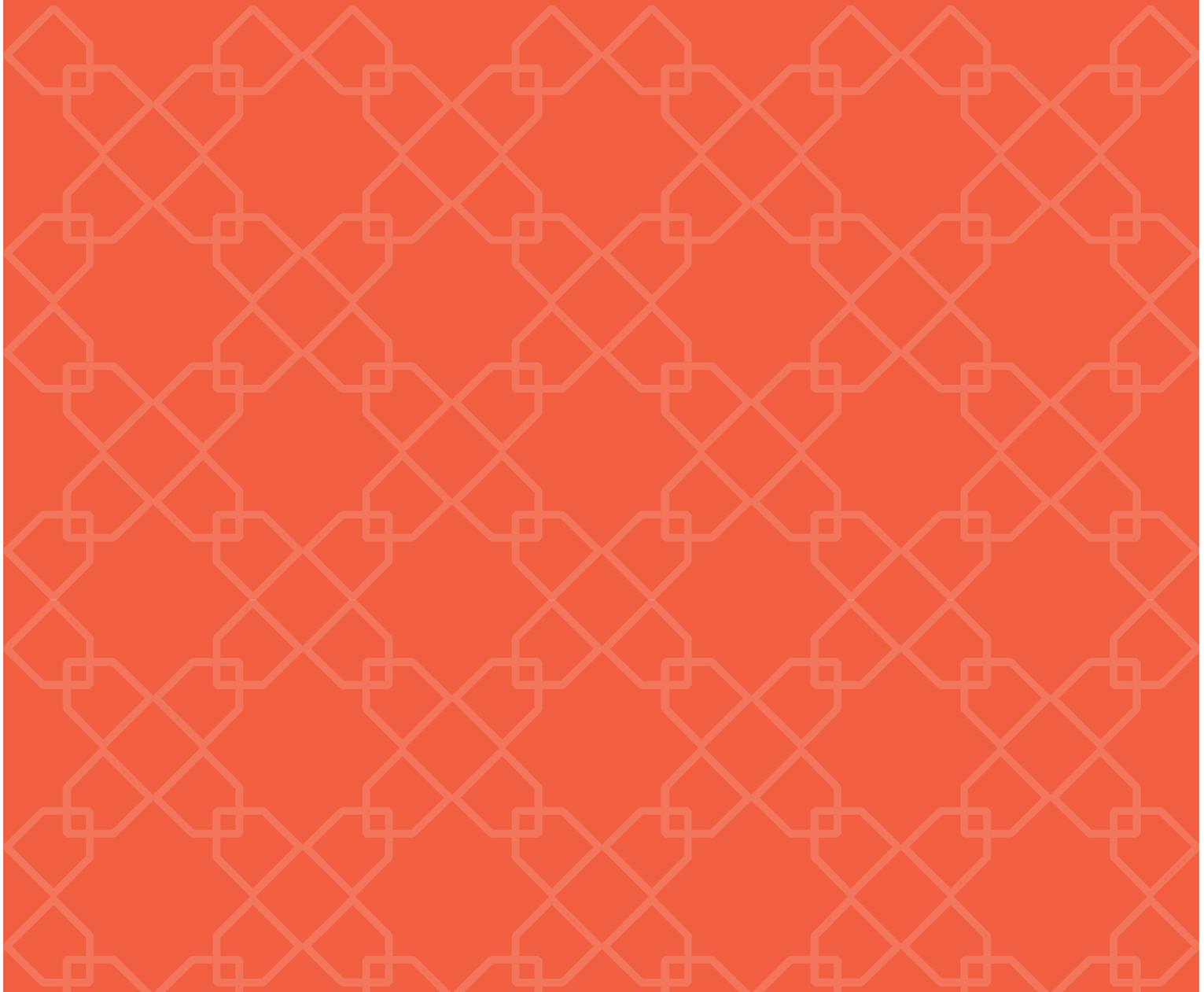
It is acknowledged that meeting this need requires significant Federal and State Government investment. There is within this context, an opportunity for an agreement to be reached between the Responsible Authority and the landowner as to an appropriate Affordable Housing contribution.

On the established evidence of need, a 10 per cent Affordable Housing target is recommended to be applied to the Site, subject to determination and agreement as to the delivery option or options by which this will be achieved. Lower percentages may be realised if they have an equivalent value.

The dwellings should comprise predominantly of one and two bedroom dwellings and a majority of outcomes should be targeted to very low or low income households to reflect priority household need.



Part C: Affordable Housing Proposal



Proposed Negotiation Principles and Process

The following principles are recommended to provide a basis for a negotiation and agreement to the inclusion of Affordable Housing on the Site.

Draft Principles

1. On the basis that the Site is rezoned, the Parties agree to consider and support the inclusion of Affordable Housing as an objective of the rezoning and development of the Site, subject to the proposed planning framework 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:
 - 2.1. Has the meaning given to it under the *Planning and Environment Act 1987*;
 - 2.2. 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 agreed delivery arrangement is to be agreed to by each Party.
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 approval 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, community infrastructure requirements, or other potential 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 Darebin and more broadly, Greater Melbourne, will inform the type (built form, tenure) of Affordable Housing that is agreed to be included and delivered with a not-for-profit housing agency to confirm the final mix and location of dwellings within the development during the delivery phase. A majority of one and two bedroom dwellings is expected.
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:
 - 9.1. 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;
 - 9.2. Be integrated externally with private housing;
 - 9.3. Externally appear no different from the market housing component;
 - 9.4. Have regards to long-term affordability and operational costs.

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. An outline process is set out at Attachment



Appropriateness Check

An assessment of the Preston Market development opportunity against the State Government list of matters required to be considered when determining if proposed 'Affordable Housing' will be appropriate for very low, low or moderate income households is summarised below.

Most of these matters can only be determined once a final Affordable Housing strategy is agreed, however this assessment has identified that the location and proposed built form would strongly align to the established housing needs and that there is significant opportunity to address the other matters. This list provides a frame for reviewing any proposed delivery model that is progressed.

Matter	Framework
Housing Need	Significant need for Affordable Housing within the City of Darebin is established at Part B of this Report.
Location	The location is identified as a strategic development opportunity, with excellent access to amenity including transport and services. The location was identified as suitable for Affordable Housing at the point of original rezoning (2006/07).
Built Form	Expected that any built form responds to the Affordable Housing need for more one and two bedroom dwellings and to the wider need for an increase in dwellings which can only be achieved by greater land-use through apartment development.
Tenure	Rental and home ownership arrangements will respond to need with emphasis on Affordable Housing for very low and low income households required to reflect the priority / highest need group
Type	Apartment dwellings are appropriate for the location and respond to the need for smaller, well located, quality Affordable Housing.
Longevity	Affordable Housing should be retained for an appropriate period of time reflective of the forecast housing need and relative to the landowner contribution. It is expected that any Affordable Housing dwellings owned by a Housing Agency will be retained for the life of the unit due to the excellent locational attributes. Shared equity arrangements must also be structured to ensure the value provided by the developer is secured and re-invested in the area upon the first sale. To enable a comparison between options a 30-year term is considered the minimum time a dwelling, or the value provided by the landowner towards an Affordable Housing arrangement, should be retained in this use.
Affordability	Current market affordability is not responding to the housing needs of very low, low or moderate income households. Any built form response will need to be delivered at a lower price point or be delivered under an arrangement that results in the dwelling being subsidised for Affordable Housing.
Allocation	Dwellings must be allocated to Eligible Households that earn below the Affordable Housing published income bands. The management of allocations and tenancies by a not-for-profit housing agency for either rental or shared equity home ownership will meet this criterion. At minimum, a Registered Housing Agency should be engaged to verify incomes of potential tenants and to confirm that dwellings are rented to and are affordable for tenants.
Integration	The scale of the development is expected to result in integration of Affordable Housing at a precinct level. There may be value in a stand-alone development of Affordable Housing within the precinct, however the building should externally integrate with the surrounding dwellings.

Table 13: Framework to guide delivery models



Delivery Models and Program Outcomes

There are a range of potential delivery models that could be applied to the site.

Each model has different cost impacts, delivery certainty, dependency on third party investors, scale and likely household allocation outcomes. These are all key considerations when determining an appropriate model under a planning agreement.

Affordable Housing program outcomes that could result from the application of these delivery models include:

1. Social Rental (income-based rent setting targeting very low and low income households as defined under the Victorian Housing Register);
2. Affordable Rental (discount to market rent);
3. Shared Equity home ownership.

Other emerging delivery models including Rent-to-Buy and Build-to-Rent could also be applied if they provided genuine Affordable Housing outcomes where the housing is appropriate, affordable and allocated to Eligible Households as per the Framework set out at Table 13.

It is recommended the planning controls allow for any alternative model to be proposed by the landowner and justified with relation to the minimum value agreed to be provided into an Affordable Housing purpose and the definition and list of matter that define whether a built form is genuinely delivering Affordable Housing.

An initial analysis of affordability of dwellings for different household groups highlights:

- Affordable purchase without subsidy is not expected to be able to be achieved.
- Affordable purchase through a landowner contribution secured under a shared equity arrangement is estimated to require a minimum 30 per cent shared equity contribution (approx. \$165,000 per unit based on an average unit price of \$550,000). Assuming appropriateness of dwelling size, would support moderate income households.
- Affordable rental under a discounted sale arrangement with a housing agency would require approximately 40 per cent discount on median market value if the sale was not dependent on government grant being available. The dwellings would be expected to be rented to low income or moderate income households.
- Gifted land that can be developed into affordable rental or ownership outcomes will depend on a Housing Agency being able to raise sufficient finance and / or accessing government grants. Subject to market values and funding sources, this arrangement could support a greater number of outcomes and tenure and household mix within the development.
- Gifting completed dwellings is the highest cost impost but has no dependency on third party purchasers. Depending on operating costs, this model would support very low, low or moderate income households being housed.
- Other models such as build-to-rent and rent-to-buy could also deliver a suitable Affordable Housing outcome if they are appropriately structured to ensure:
 - Affordability of rent with regards to the 30% income on housing costs benchmark;
 - Appropriateness of dwelling in terms of bedroom size for Eligible Households and other amenity;
 - Allocation to Eligible Households (and appropriate verification of income to ensure household eligibility);
 - Appropriate management with regards to the housing needs of very low to moderate income households, which is recommended to include oversight of letting processes by a Registered Housing Agency;



- Appropriate term of use, noting an Affordable Housing dwelling owned by a Housing Agency is expected to be provided in this use ‘in perpetuity’ or value provided to be reinvested over time. A minimum 30 years use is recommended;
- Accountability to Council in relation to delivery of the arrangement over time.

Recommended Affordable Housing Component

The following Affordable Housing inclusion is recommended:

1. *The delivery of **up to ten (10) per cent** of the Site’s total residential yield as Affordable Housing by way of one of the following options:*
 - 1.1. *The **transfer of land** that has the demonstrated capacity to support the development of **10 per cent** of the site’s total residential yield as Affordable Housing dwellings to a Registered Housing Agency **at nil consideration**, for the Agency to develop and rent and/or sell completed dwellings to Eligible Households;*

An average 65 m² / unit is proposed to be used to calculate the amount of land to be provided; or
 - 1.2. *The **construction and transfer of title** of **three per cent** of dwellings to a Registered Housing Agency **at nil consideration** for the Agency to rent to Eligible Households; **or***
 - 1.3. *The **sale of six per cent of completed dwellings** by way of:*
 - 1.3.1. *Sale of a minimum three per cent of completed dwellings to a Registered Housing Agency at an appropriate discount to the market rate, for the Agency to own and rent to Eligible Households; and*
 - 1.3.2. *Sale of a maximum three per cent of completed dwellings to Eligible Households under an appropriately regulated Affordable Home Purchase arrangement, with the contribution provided by the landowner (the ‘social equity contribution’) to be appropriately secured, managed and reinvested on future sale or refinancing by the original purchaser; **or***
 - 1.4. *Any other delivery arrangement where the landowner demonstrates to the satisfaction of the Responsible Authority:*
 - 1.4.1. *The contribution is of an **equivalent value** to Affordable Housing that would otherwise be provided by the landowner under option 1.2 (three per cent gifting of dwellings) by way of **a discount to dwelling sale price and/or to rent**; and*
 - 1.4.2. *That the dwellings will respond to the Matters published under the Act and result in dwellings that are appropriate, affordable and allocated to Eligible Households; and*
 - 1.4.3. *That the dwellings will be retained as Affordable Housing for a minimum thirty-year period, or equivalent period calculated with regards to the number of dwellings to be provided.*
2. *Under any of the options, a minimum of three per cent of the total dwelling yield on the site must be utilised as rental housing suitable for a very low or low income household as defined under the Act.*

For the purposes of clarification, the proposed minimum 3 per cent of housing as Affordable Housing for rent by very low or low income households is based on the total yield (i.e. 3% of all dwellings on the site). If 10% of dwellings were delivered as Affordable Housing, then approximately 30% of the Affordable Housing contribution should therefore be allocated in this way.



Other Matters Relating to Implementation

Subject to agreement by the Parties to this proposal it is recommended that:

1. The agreed delivery options are reflected in the new Zone with a requirement the landowner is to enter a Section 173 Agreement establishing the process of delivery.
2. The Schedule to the Zone requires the landowner to submit an 'Affordable Housing Delivery Plan' when seeking the first planning permit approval following the rezoning, which should set out how the landowner intends to achieve the Affordable Housing outcome.
3. Indicative timeframes for the delivery of Affordable Housing are agreed and set out within the Schedule to the Zone and the Section 173 Agreement to ensure the timely delivery of Affordable Housing and to provide a basis for monitoring delivery throughout the precinct development and key milestone points where a minimum requirement must be achieved before further market development can proceed.
4. The provision of Affordable Housing is agreed in-principle to generally reflect the market product mix across the site with the agreement proposed to confirm that a majority of one and two-bedroom dwellings will be acceptable for the Affordable Housing component to reflect the evidence that singles and couples are more likely to require an Affordable Housing in Darebin.

These items are proposed to be confirmed in the negotiation with further detail below provided to assist with this discussion.

Timing

It is important to ensure that there is general agreement to the timing of the delivery of an Affordable Housing component on a project of this size and timeframe.

An agreement should also allow for delivery options to be further explored and partnerships formed. The following timeframes for delivery are recommended to be included within a Section 173 Agreement:

- 50 per cent of the minimum agreed Affordable Housing component for the precinct to be delivered at the point that 60 per cent of total anticipated residential yield has been constructed;
- 100 per cent of the minimum agreed Affordable Housing component of the precinct to be delivered at the point that 85 per cent of the total anticipated residential yield has been constructed.

The landowner should report on the expected delivery against this timeframe in the Affordable Housing Delivery Plan, to be prepared by the landowner and progress against these timeframes reported on when a development proposal is submitted.

Reference to confirm Affordable Housing

Determination as to what constitutes an acceptable Affordable Housing outcome should be made with reference to the definition of Affordable Housing set out in the *Planning and Environment Act 1987* and with regard to the interest and financial capacity of the landowner and the proposed End Recipient to own and/or manage the dwellings generated by the Affordable Housing Agreement.

Conditions on outcomes

Conditions on the management and use of the Affordable Housing are recommended to be limited, especially where the managements and use of the Affordable Housing is regulated through other means as is the case with social housing.

If deemed necessary, proposed conditions on the management and use of the Affordable Housing should be agreed to by a proposed End Recipient such as a Housing Agency or shared equity manager. Undue restrictions that limit an



End Recipient’s ability to secure finance to purchase and manage dwellings can impact on the viability of an arrangement create significant costs to the End Recipient and should therefore be avoided.

Proposed Affordable Housing mix

Based on the assessment of Affordable Housing need, there is clear evidence of a need for a significant increase in the number of dwellings that are available and affordable to rent for very low and low income households.

This includes smaller dwellings for single and couples and different tenure and affordability options.

It is noted that larger dwellings also come at a greater cost impact which should be factored. This is both a cost consideration for the developer but also for any housing agency or third party investing. Larger dwellings for example are unlikely to be affordable for a housing agency to purchase without a very significant discount and/or government grant.

In line with the evidence of need it is recommended the Affordable Housing mix comprises of a majority 1 and 2 bedroom dwellings with the final mix to be determined in consultation with a Registered Housing Agency.

Recommended planning controls / wording

It is recommended that once agreement is reached between a landowner and responsible authority that sufficient detail of this agreement, being a voluntary agreement between the landowner and responsible authority is outlined in the new planning controls.

This was established by the Planning Panel for Hobson Bay Precinct 15 rezoning where a recommended approach that the Affordable Housing provisions were included within the Schedule to the Comprehensive Development Zone was adopted.

In making this recommendation noted *“there is benefit in retaining further guidance, which may limit future disagreement. The key elements of the text should be a clear statement that Affordable Housing is to be delivered by agreement, at a defined rate, with at least one method of delivery, but with the possibility of others.”* (p.67).

As part of the proposed wording in the Zone it is recommended there is a requirement for the landowner to provide prior to or as part of the next subsequent planning permit application, an ‘Affordable Housing Delivery Strategy’ setting out their proposed delivery model(s) in accordance with the high level agreement reached pre-rezoning.

This process is intended to provide the required certainty to all parties as to the details of the agreement, noting that that the specific delivery model in accordance with the agreed options will still be determined by the landowner.

The following recommended inclusions within a revised zone and Schedule are made on the basis that there is agreement with the landowner as to the Affordable Housing proposal set out within this Report.

Planning control	Recommended inclusion
Revised Zone and Schedule to the Zone	<ul style="list-style-type: none"> Statement that Affordable Housing is an objective of the development; Agreed percentage and delivery option(s); <p>Statement that the landowner is required to enter a Section 173 Agreement with the Council</p> <p>The Zone references:</p> <ul style="list-style-type: none"> Confirmation of delivery model(s): Requirement for the landowner to prepare an Affordable Housing Delivery Plan outlining how they intend to delivery (i.e. preferred option) timeframes and staging of delivery; Minimum timeframes by which delivery must be progressed.
Section 173 Agreement	As per the Schedule, the 173 Agreement should reflect the Schedule requirements and provide further details on delivery models, timeframes and include a sunset clause to ensure the Section 173 is removed once the Affordable Housing dwellings are delivered.



Attachment 1: Proposed Process to Finalise Agreement

Stage	Process	Decision point / milestone
1 – Negotiating terms	<ol style="list-style-type: none"> 1. Inception meeting – noting of Council and VPA objectives; landowner requirements and objectives; noting of wider context and rezoning objectives; noting of State Government definition and framework; discussion on potential delivery options and/or recommended strategy; 2. Review and agreement to negotiating terms and process by Council and landowners; 	<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; (Proposed Affordable Housing draft Strategy); 4. Consideration by the landowner of the potential feasibility impact of the recommended Affordable Housing contribution and delivery model(s); 5. Response and tabling of landowner’s response and any alternative proposition including any conditions associated with the offer; 6. Council /VPA review and response to the landowner proposed contribution in light of other planning / rezoning considerations; 7. Negotiation between Council, the landowners and the VPA. 	<p>Tabling of draft Affordable Housing Strategy</p> <p>Consideration of draft Strategy and response / preliminary proposal by landowner</p> <p>Council / VPA review</p> <p>Negotiation</p>
3 – Agreement	<ol style="list-style-type: none"> 8. Agreement in writing to in-principle agreed Affordable Housing inclusion, subject to rezoning and any other terms – agreed to by Council and landowners and VPA; 	<p>Agreement</p>
4 – Independent review	<ol style="list-style-type: none"> 9. Preparation of Affordable Housing Strategy and/or statement of intent for purposes of public exhibition; 10. Planning Panels review and recommendations; 	<p>Review</p>
5 – Finalisation of planning review and draft zone controls	<ol style="list-style-type: none"> 11. Final agreement to Affordable Housing component in light of Planning Panel recommendations in relation to the Site; 12. Finalisation of proposed planning terms in accordance with in-principle agreement and term sheet; 13. Final review and agreement by all Parties; 14. Endorsement by Council; 15. Inclusion of terms within new planning controls; 16. Section 173 Agreement to confirm agreement 	<p>Finalisation of Agreement</p> <p>Planning Controls</p> <p>Legal Agreement</p>

