



ARDEN SOCIAL & AFFORDABLE HOUSING RESEARCH

Phase 1: Options for Delivery

Prepared for
VPA & CITY OF MELBOURNE
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EXECUTIVE SUMMARY

Urbis has been engaged to assist in the affordable housing evidence base for the Arden Urban Renewal Precinct by assembling a research base to inform options for delivery. This is a two-fold, staged exercise that looks to provide a source of information for precedential policies, strategies and legislation both nationally and around the world, and also give context to the financial feasibility constraints of different levels of affordable housing delivery. Each report contains the following:

- Report One: Affordable Housing Research Base - Preparing a detailed research exercise that explores the options for delivery, considers pros and cons and shortlists the ones for detailed feasibility testing – including setting out a strategy of how to test them and ensure they can be delivered. This will provide an evidence-base in pursuit of the preferred options.
- Report Two: Detailed Feasibility of Options for Arden - Undertaking detailed feasibility testing on the preferred options within the context of the development economics applicable in Arden to understand their potential application in practice.

This report is the first of the two research reports regarding Affordable Housing options to inform the Arden Affordable Housing Strategy. It is structured as follows.

The first section outlines the emerging policy context to provide context on what is needed, what has been delivered previously and what is possible to be delivered. This is structured to begin with national and global Urban Renewal Precinct examples before moving to State level policies and precedents, the City of Melbourne historic and upcoming affordable housing strategies, and finally investigates the priorities and inputs of key stakeholders. This initial research forms part of the assumptions that will be brought forwards into the feasibility analysis and provide general context as to the capabilities and constraints of the current planning system.

The second section brings together the potential methods of delivery and, more broadly, ways of bringing together an effective affordable housing strategy. It begins by taking a closer look at the mechanisms and steps required to enable the delivery of affordable housing. Research here is less concerned about the capacity of local policies, legislation, and precedents in delivery of affordable housing, but rather how impactful have overseas solutions been in achieving delivery and how could these be brought into the context of Arden. Many studies of mechanisms such as inclusionary zoning and community land trusts were either little tried or not legislatively possible in the current market and planning context of Arden. However, they provide focus areas for further investigation, as many were successful in bringing about delivery to levels above what has been previously observed in Victoria and in line with the target for the Arden precinct. The section concludes with steps on how to structure and prepare an affordable housing strategy that is well grounded in research and cognisant of all interrelated actors in the process.

The third section reflects on the policies and precedents outlined in the prior two sections to inform a set of potential broad delivery outcomes. Using total yield estimates supplied by the VPA & City of Melbourne it looks at the quantum that would be delivered given different percentage requirements, absent of any legislative or market constraints. It is evident from this and from what has been informed from the research that State land could be very important in increasing the level of affordable housing that can be delivered at Arden. This is the case both given the relative scale of this space against what is privately owned, and regarding what has been achieved before in precedential examples on government owned land. Whilst it is not appropriate to test this, since many of the enabling mechanisms are currently untested or not legislatively possible in the current planning environment, it does again highlight a need to look into innovative options over State land. Moving forwards, assumptions are detailed for the feasibility section. This is undertaken as per consultations with the VPA & City of Melbourne and considers current market and planning conditions. As such testing here is based on Section 173 agreements being the delivery mechanism, and percentage delivery is limited to this scope.

Across the two reports, we conclude with next steps towards an Arden affordable housing strategy. The target of 6% on privately held land can be (if not uniformly) achievable up to 50% gifting according to the feasibility report. However, the feasibility highlights the variance between different sites regarding feasible outcomes as each site tested yielded an opposing result. Equally it highlights the limitations of current traditional methods of delivery in pushing towards the Arden target of 15% delivery on State owned land. In this way further research into delivery on State land will assist to round out the strategy and make strides towards the overarching target. This is especially the case given the funding and focus emerging in the Big Build, with more funding for social and affordable housing, including on government land and in collaboration with the community housing sector.

INTRODUCTION

The purpose of this report is to provide evidence that informs the Affordable Housing Strategy for the Arden Urban Renewal Precinct. Consideration of the delivery of Affordable Housing as part of regeneration of the Arden precinct is complex. To do justice to the study, a staged approach has been undertaken to establish the fundamental challenges of Affordable Housing delivery prior to testing the feasibility of outcomes. These will be used as evidence to inform the VPA and City of Melbourne in formulating an Affordable Housing Strategy.

We have therefore put forward below an in-depth analysis of the options for delivery across two distinct phases of work that Urbis can offer:

- **Affordable Housing Research Base**

Preparing a detailed research exercise that explores the options for delivery, considers pros and cons and shortlists the ones for detailed feasibility testing – including setting out a strategy of how to test them and ensure they can be delivered. This will provide an evidence-base in support of the preferred options to test.

- **Detailed Feasibility of Options for Arden**

Undertaking detailed feasibility testing on the preferred options within the context of the development economics applicable in Arden to ensure they can be applied in practice or indeed understand key thresholds and pressure points.

The remainder of this report is set out as follows:

1. Emerging Policy Context
2. Delivery Options Framework
3. Indicative Spectrum of Deliverability
4. Feasibility Testing
5. Next steps

Attachment 1 Literature Review & Desktop Research

Note: Evolving Policy and Market Context

At the time of completing this report, the global COVID-19 Pandemic is changing the dynamics of individual households, government policy and development economics. Changes in these will continue to evolve as the impact of the pandemic works its way through the system.

SCOPING DEFINITIONS

Affordable Housing

On June 1, 2018 the Planning and Environment Act 1987 (the Act) was amended to include the objective 'to facilitate the provision of affordable housing in Victoria', which represents the first step taken by the Victorian State Government to actively encourage the delivery of affordable housing in the private sector through the planning system. A dwelling is classified as 'affordable' if a lower income household is paying less than 30 per cent of their income on housing costs and is appropriate in terms of location, tenure, size, amenity and integration. Eligibility for affordable housing is primarily dependent on having very low, low or moderate income.

Affordable Housing programs operating in Victoria which are supported by State Government include: social housing, affordable rental housing, and shared equity home ownership.

Below Market Affordable Housing

Housing provided at a discount to market to households that meet eligibility criteria for income brackets as defined by the Planning and Environment Act. To maintain its charitable taxation status, a Housing Agency must offer a minimum 25% discount on rent.

If owned by a Registered Housing Agency, affordable rental housing may be provided on a long-term basis or could otherwise be for a set period of time, such as dwellings rented under the National Rental Affordability Scheme (10 years).

An affordability test applies, with rent expected to be set at either a discount to market or no more than 30% of a household's gross income. Ownership options include a Registered Housing Agency, another entity or individual purchaser. Regardless of ownership, management should be undertaken by a suitably regulated entity, preferably a Registered Housing Agency.

Social Housing

Rental housing owned or managed by the State Government (public housing) or a Registered Housing Agency (community housing). Government published Social Housing income eligibility and asset threshold requirements set eligibility, with households registered on the Victorian Housing Register.

If agreed upon via planning negotiation, the expectation is it will be owned and/or managed by a Registered Housing Agency. Generally, rent for dwellings managed by Registered Housing Agency is set at a maximum of 30% of household income plus Commonwealth Rent Assistance. Social Housing provides a significant level of assurance of long-term tenure for tenants, generally providing housing 'for life'.

Shared Equity

A shared equity scheme involves a home buyer sharing the capital cost of purchasing a dwelling with an equity partner, meaning the buyer can enter the market sooner with a lower initial deposit and lower ongoing housing costs.

Typically, the buyer borrows between 70% - 80% of the property cost, whilst the balance of the capital or 'social equity' is provided by either a government grant, land contribution or a developer contribution (in cases where a voluntary negotiation occurs with a developer). On the future sale of the dwelling by the first purchaser, the proportional equity provided at the start (i.e. 20% – 30% of market value) is repaid based on the property's (future) market value.

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 and eventually repaid. The landowner does not receive a return on their contribution, rather the social equity is reinvested in accordance with an agreement between the social equity holder and the Council, generally within the respective municipality.

Shared equity requires an appropriately regulated arrangement to be put in place to source an eligible purchaser and for the social equity to then be appropriately secured and captured on future sale. The State Government is piloting a shared equity program where the State is providing the social equity.

Affordable Housing Eligibility

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

Eligibility for each is set by the State Government using income and asset tests. The income brackets are updated annually. Affordable Housing should be priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs (generally no more than 30 per cent of income) and be 'appropriate' for the household's needs. Social housing eligibility is defined by household income brackets, together with an asset tests and proof of identity to confirm both Australian citizenship / permanent residency, as well as Victorian residency. Priority selection for social housing can occur depending on personal circumstances. Affordable housing eligibility is determined by the household income brackets as well as an application via a Registered Housing Agency is required in order for a household / individual to be assessed against eligibility criteria and considered for affordable housing.

Affordable Housing Ownership & Management

The end recipient and/or manager of any affordable housing product delivered because of planning negotiation will either be a Registered Housing Agency or a Shared Equity (Affordable Home Ownership) Facilitator.

Registered Housing Agency

A Registered Housing Agency is a not-for-profit organisation with a purpose to own and/or operate housing for lower income households (i.e. social housing or other forms of affordable housing). Agencies must be registered by the State Government appointed Housing Registrar as either an Association or a Provider. A range of performance standards and reporting obligations apply to agencies, which are strictly regulated by State Government and the ATO.

Agencies have clear and efficient systems in place to determine household income eligibility and the allocation of properties with regards to social objectives and conditions of grant funding, often with exclusive access to funding opportunities (for instance the Social Housing Growth Fund). They are the State Government's preferred management outcome to facilitate social housing growth and as such, are well-versed in partnering with both State and Local Governments, as well as the private sector, assisting significantly in securing investment and delivering viable affordable housing outcomes.

There appears to be an expectation that a Registered Housing Provider will be involved either as a developer, manager or owner. However, this is not a mandatory part of the current controls for affordable housing. Currently there are 10 registered Housing Associations and 29 registered Housing Providers in Victoria.

Shared Equity Facilitator

The shared equity home ownership program, BuyAssist, allows lower to moderate income households with limited capacity to borrow funds, to purchase a dwelling through an affordable purchase arrangement. Ultimately, this option frees up affordable rental housing for lower income households to access.

Affordable Housing Delivery

Mechanisms for delivering affordable housing are planning led responses to facilitate the provision of affordable housing on private and government held land. These are varied in nature and at which level of government that they can be created, however there are several broad types of responses that are seen around the world.

The method and quantum of delivery is what is being investigated throughout this report, with the inherent need for housing from a 'Capacity to Afford' standpoint being balanced by both the suitability and effectiveness of different delivery mechanisms within precedential usage and surrounding policy constraints, and the financial feasibility of different extents of delivery.

1. EMERGING POLICY CONTEXT

This section summarises the key relevant housing policy context from local to state level that impact the affordable housing outcomes in Arden.

Section 1.1 focusses in on Urban Renewal Precincts from around the world to draw inspiration from what has been effective within this context in driving affordable outcomes.

Section 1.2 gives guidance at the State level as to what is being done to enable affordable housing so far through various frameworks and housing strategies created in the last five years. The precinct must first be permissible at a State level and then align with local council strategies.

Section 1.3 moves inwards to look at the how the need for affordable housing has been quantified by the 2019 SGS Housing Needs Analysis along with the current and proposed affordable housing policy climate within the City of Melbourne.

Together this will inform the yield analysis and assumptions that feed into the analysis of the financial feasibility impacts that different proportions of affordable housing could have in Arden.

1.1. URBAN RENEWAL STRATEGIES

1.1.1. Arden Urban Renewal Precinct

Arden Urban Renewal Precinct amounts to around 50 hectares of predominantly industrial land two kilometres north-west of the CBD. It is “strategically placed to be an innovation precinct with a focus on technology, life sciences, health, and education sectors” given the incoming Arden Metro Train Station, vicinity to the city and other key nodes such as the Parkville NEIC with University of Melbourne and the Royal Melbourne Hospital. Currently it is predominantly occupied by low density commercial, residential and industrial uses, centred around the Arden Football Ground that is home to North Melbourne Football Club.

Originally identified as a State significant Urban Renewal Precinct in the Plan Melbourne 2017-2050 document, in July 2018, the Victoria Planning Authority VPA released the final Arden Vision. The Vision sets out state and local governments’ concepts for the renewal of the Arden precinct and identifies the priorities that will guide the future planning of the precinct. The Vision outlines a plan to transform Arden into a major employment and residential destination, accommodating 15,000 residents and more than 34,000 jobs by 2051.

There are eight competing directions for the Arden Vision 2018 that will all be incorporated into the precinct.

1. Transforming Arden
2. Designing a Distinctive Place
3. Embedding Sustainable Change
4. Accommodating Diverse Communities
5. Prioritising Active Transport
6. Investing in Community Infrastructure
7. Celebrating Water
8. Creating Diverse Open Spaces

Within Direction 4, Accommodating Diverse Communities, there is an action to “support a mix of housing tenures including private rental, purchased, affordable and social housing”.

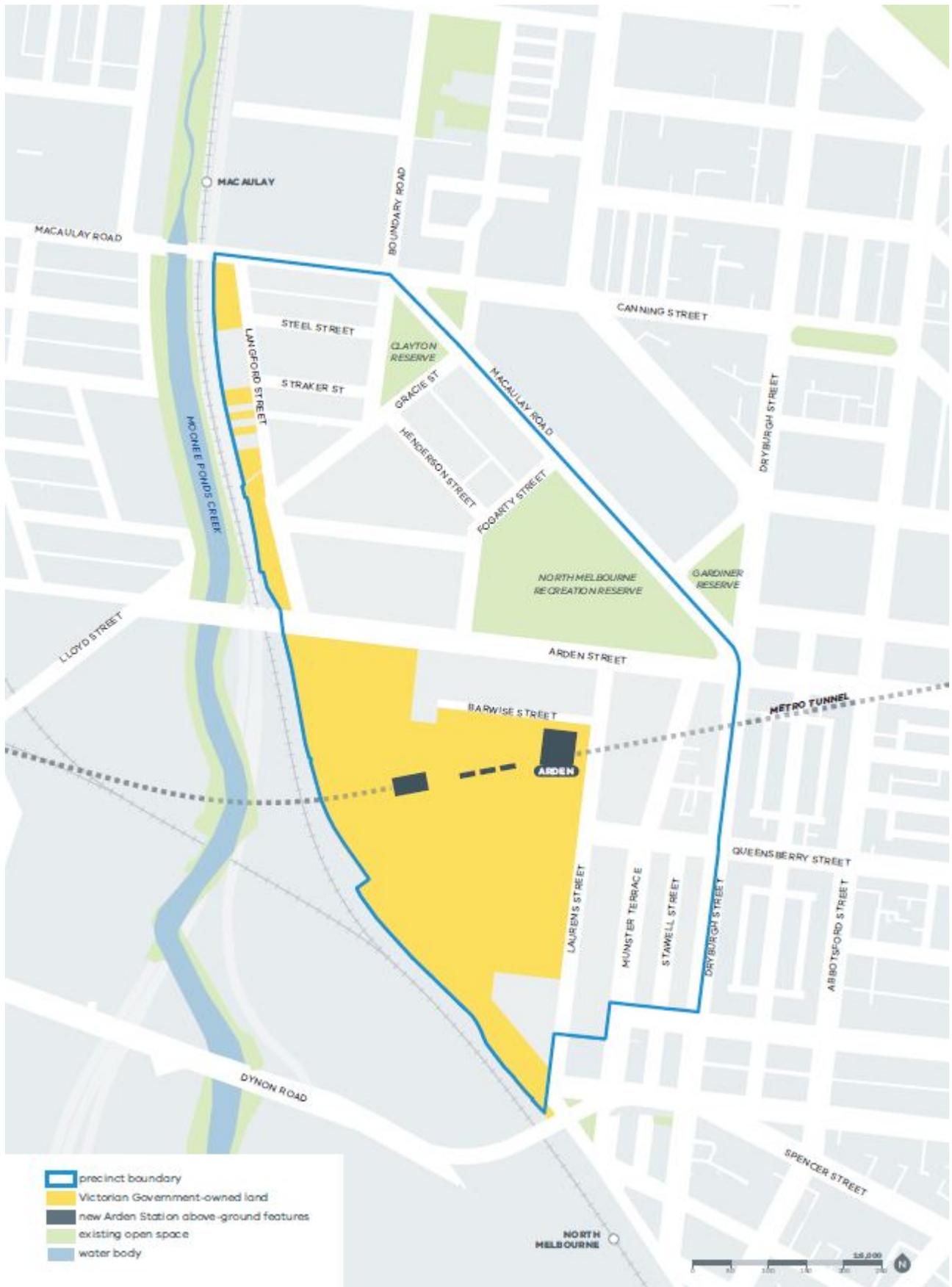
- *“The renewal of Arden is a valuable opportunity to provide high quality affordable housing close to jobs, services, transport and the CBD.”*
- *“Arden will cater to a diversity of households across a range of ages and incomes and address different needs with affordable housing. New homes will be well-designed, accessible and sustainable.”*

The focus on affordable housing will see:

- *“At least six per cent of new residential development delivered through mechanisms such as community housing or shared equity.”*
- *Up to 15 per cent of new housing made available as affordable housing where City of Melbourne-owned land is redeveloped.”*

The precinct is predominantly in private ownership, with privately held parcels distributed throughout the future precinct. There is also a large government land holding. This is shown in map 1-1 below. With this in mind and with reference to the eight directions shown above it is important to note the balance of interests and targets that will be needed to occur whilst also striving to deliver affordable housing.

Map 1- Arden Urban Renewal Precinct Ownership



Source: Victorian Planning Authority

1.1.2. Exemplar Urban Renewal Strategies

Around Australia there are some exemplar strategies that have been employed to deliver affordable housing with urban renewal precincts specifically. These will help inform the mechanisms that are most likely to make a positive impact within Arden.

Three key sites are described below. Following this we express the key take outs for Arden.

Domestic

▪ Bowden, Adelaide

- Bowden is Adelaide’s first high-density urban renewal project, around 2.5km from the Adelaide CBD that began in 2011 and is expected to be complete by 2025. This precinct has been designated to be within an Affordable Housing Overlay, mandating at least 15% affordable housing provisions in significant new developments, 5% of which is to be for high needs groups.
- This unique ability to impact significant new developments in this way has been possible within the South Australian Development Act for 16 years, created at the state level through the 2005 Housing Plan for South Australia but implemented by local government areas within their strategic plans. Significant new development can be one or more of areas that are major developments (as defined by the Planning Minister) that have a residential component, will as a result of rezoning have a much higher potential residential yield, or residential development on large, surplus government land holdings. Bowden as a government owned, former industrial site meets the latter two criteria.
- The agreement on Bowden was for 15% of a total 2,400 dwellings to be affordable. Given the land is owned and managed by the state government and has gazetted this requirement early in the development of the precinct, the intention is for land purchase prices to be moderated by private developers to enable the delivery of affordable dwellings.
- It is also worth noting that the overlay has sometimes not led to the target delivery of 15% due to the wording of the facilitation in the act, saying that affordable housing “should” be delivered rather than “has to” be delivered leading to many disputes.
- One current project that has successfully produced affordable housing is the Bowden B Apartments by Investec, which look to provide accommodation to local key workers. Under the scheme, key workers who earn a moderate income between 80 – 120% of the gross annual median income would be eligible to rent a unit for three years at 75% of the market rent and are then able to purchase at the end of this period. They have also partnered with Community Housing Limited to manage these dwellings over the rental period, unlocking benefits that can be accessed by charitable organizations such as Commonwealth Rent Assistance to cover the gap in rent. Of the 32 dwellings produced under this tenure, 29 have entered a contract to purchase at the end.
- This was a precedential development that has since eventuated in the capacity for Renewal SA to be exempt from competition law and enable them to directly enter into arrangements with developers themselves due to the public benefit that will be derived from the affordable housing delivery. Within this there are a series of delivery methods such as ability to incorporate minimum proportion of affordable housing allocation, not sell a property due to their eligibility for an affordable dwelling or ability to fix maximum sale and rent prices.

▪ Ultimo Pyrmont, Sydney

- As part of the renewal of Ultimo & Pyrmont in 1994 there was a target for 1.1% of development floor area to be made as affordable housing, amounting to an equivalent target of 600 affordable dwellings across 20 – 30 years. If deemed infeasible to make a direct contribution a development would instead make a cash-in-lieu contribution so that affordable housing is delivered elsewhere within the City of Sydney.
- To ensure delivery, the NSW Government established the City West Affordable Housing Program to ensure affordable outcomes and manage all cash-in-lieu contributions. The success of the not for profit provider in Ultimo Pyrmont meant that it was invited to help with a similar project in Green Square and now operates all throughout the City of Sydney.

- Government funded, in this case initially, housing organizations like City West Housing are very common in London for example and are useful for localized responses to affordable housing issues. It helps to ensure housing meets the need of the city and remains located in the city.
- **Perth City Link, Perth**
 - The Perth City Link Project is the urban renewal of land currently occupied by the Perth City Link that is proposed to be sunk underground. This will create 13.5 hectares of space for redevelopment opportunities including affordable housing outcomes. The project is being led by the Metropolitan Redevelopment Authority and is owned by the State Government.
 - The Metropolitan Redevelopment Authority currently targets 12% of all new dwelling in developments of 10 dwellings or more to be affordable within targeted areas of renewal or growth, with localised inclusionary zoning measures employed. Perth City Link is no different with a target of between 10 – 15% affordable dwellings to “increase the opportunity for a variety of family types to live in the city centre”.
 - Affordable dwellings here refer to either a cash in lieu payment or shared equity, owner occupier products. In this arrangement the prospective purchaser will enter an arrangement with the MRA or any other housing provider nominated by the MRA. This seeks to leverage the successful Keystart Home Loans initiative from the WA State Government that provides “low-deposit home loans to Western Australians who were unable to meet the deposit requirements of mainstream lenders” (WA Department of Communities, 2019). This is available for both singular or shared equity home loans and since 1989, around 100,000 households have utilised the program.

International

- **West Don Lands & The Canary District, Toronto**
 - On the site of a former railyard, West Don Lands is a 32-hectare urban renewal site was gazetted in 2005. It is being managed by Waterfront Toronto, one of a suite of government organizations looking to revitalise the waterfront regions of Toronto. The Canary District is an 18.5-hectare subset of the wider West Don Lands.
 - Across several sustainable and socially oriented targets for the precinct the Toronto Housing Plan (2010) specifies that there will be a target for 20% of housing will be affordable rental housing in West Don Lands. This means that out of an estimated 6,000 dwellings there will be 1,200 affordable rental units. This requirement reflects the later established inclusionary zoning requirements for condominium projects in strong market areas (see Appendices - Toronto).
 - In the Canary District, one example of an affordable development can be found at 589 King Street East, a development by the non-profit Toronto Community Housing Corporation. In total, 243 affordable rental units, 47% for families and 53% for seniors & singles, were built which equates to about 17% of total stock in the precinct currently. Affordable rental here was determined at 80% of market value, held and managed by the community housing provider. This has the district at 17% affordable housing, just below the target set in the Toronto Housing Plan.
 - Whilst the precinct saw development just below the 20% target in the first decade of its development, there are currently several projects in the pipeline that have specified up to 30% of its units will be affordable, such as Block 8 by DREAM, Kilmer Group & Tricon. These affordable units, amounting to approximately 233 units, are to be mixed ‘salt and pepper’ style across three towers.
 - This development is on a parcel of land that was held by the State of Ontario who led the project as a proposal. The success and added affordable take up of this project have been attributed to clarity in the tenure, affordable mix and affordable unit pricing such that proposals would all have the same targets and outcomes from a delivery standpoint, but would be actively competing to meet the other targets of the precinct.
 - Incentives provided for the above include removal of some property taxes, multiple development levies and permit requirements. The term of these units is to be 99-years and the above property tax exemptions is the same. Affordable rentals are to be held and managed by the developers, not transferred to an affordable housing provider. Whilst not noted here, this is could be partly due to the ease of building management with one owner compared to multiple.

▪ Ocean Estate Regeneration Project, London

- In 2010, Ocean Estate in Stepney was placed as a priority area for Urban Regeneration as within the 10% most deprived estates in England according to a number of metrics. East Thames Limited, an established housing association and charity in London, won the bid to undertake the project that in total involved the refurbishment of 1,200 dwellings and the construction of 819 new dwellings that were mainly social & affordable rentals alongside a small amount of shared ownership or shared equity arrangements.
- The construction of new dwellings was 80% funded by two branches of government, primarily the Homes and Communities Agency, and added to by the New Deal for Communities Program that was specifically established for Urban Regeneration projects like seen here. The remaining 20% was funded by East Thames Ltd through a mixture of equity and debt finances. Refurbishment of dwellings was funded in similar parts by contributions from the local council and land purchases from East Thames Ltd and Bellway Homes, a secondary developer.
- East Thames Ltd remains the responsible authority for tenancy and property management over all the new build properties that include private, affordable and social rentals. When private and affordable or social housing are within the same apartment buildings, they are separated by separate lift cores. This has been noted to be due to ease of management and in response to higher rates of service fees being charged for private rentals.
- However, apartment complexes do share a common courtyard in all developments, and issues from both a tenant and management level have not arisen based on this but rather when there has been a mixing of housing occupants e.g. equal part large families and single people.
- Of the new developments, the final mix was 48.5% affordable housing, 36% of which was social rental, 9.5% shared ownership and 3% shared equity, and 51.5% private housing, 44% owner – occupier and 7.5% privately rented.

▪ Equitable Transit Oriented Development Program, Seattle

- Supplementary to a large investment in regional transit infrastructure in Seattle, Transit Oriented Development seeks to promote the development of medium and high-density dwellings around transport nodes with a focus on implementing affordable and social housing targets. This has been achieved by what has been coined ‘upzoning’ underutilised parcels of land around transport nodes to allow for greater development if developers provide affordable housing within their developments. Paired with mandatory inclusionary zoning requirements, uptake of the scheme has been successful.
- An example of this is at Northgate Park-and-Ride, a car park adjacent to Northgate Metro Station in downtown Seattle that is owned by the City of Seattle. They set up a Request for Qualifications/Concepts from developers that would provide 200 units of subsidized affordable housing, serving households earning 60% or below area median income for a period of 50 years, with a minimum of 10% of these going to very low income earners below 50% AMI. This has been taken up by Capitol Hill Housing from Seattle and BRIDGE Housing Corp from San Francisco.

1.1.3. Key Learnings – Urban Renewal Precincts

Most examples look to take value from the rezoning or ‘upzoning’ of land and redirect it towards affordable housing delivery as their primary mechanism, given the relatively substantial value that could be added in urban renewal precincts specifically as many are previously restricted to industrial or otherwise low density uses.

Projects in London and Ultimo / Pyrmont in Sydney established non-profit housing companies as a type of special purpose vehicle to capture this value and deliver further housing from cash in lieu contributions. This has shown to be effective in delivering housing in these areas and has also been able to expand to other council areas in the case of City West Housing in Sydney. Special Purpose Vehicles are also eligible to apply for funding from the National Housing Finance and Investment Corporation as of August 2018.

Clarity and early notice for delivery requirements is a common theme in the success of the precincts in addition to significant use of government land.

Mixing of tenants was not seen as an issue from a resident standpoint in the London project, however it was noted that it is easier to manage separated towers than ‘salt and pepper’ mix.

1.2. STATE GOVERNMENT POLICY

1.2.1. Current State Affordable Housing Measures

For affordable housing, the State Government oversees setting property taxes such as stamp duty and land tax, and interrelatedly concessions and incentives around these taxes, as well as the building and management of public housing, or the funding of community housing providers to do this. They also have an advisory role in providing frameworks and thought leadership from which local council can guide their own policy direction and strategy.

Below are the key documents which frame Victoria's affordable housing strategy:

- **Plan Melbourne 2017-2050** recognises the critical need to increase the supply of affordable housing, including a five-year implementation plan which sets out key actions to increase the supply of Social and Affordable Housing and provide greater choice and diversity of housing, including:
 - Utilising government land to deliver additional affordable and social housing.
 - Streamlining decision making processes for social housing proposals to reduce holding costs and increase certainty.
 - Strengthen the role of planning in facilitating and delivering the supply of social and affordable housing.
 - Create ways to capture and share value uplift from rezoning of land.
- **'Homes for Victorians: Affordability, Access and Choice' (2017)** is the State Governments Housing Strategy, which sets out a range of key initiatives that are being implemented, including:
 - The redevelopment of public housing assets.
 - Provision of funding and low-cost finance for Registered Housing Agencies to support purchasing of affordable housing dwellings delivered via planning negotiations; and
 - Sale of underutilised State Government land with an associated affordable housing requirement for redevelopment.
- In 2018 the **Planning & Environment Act changed to facilitate supply of affordable housing through the planning system** and to provide a framework that allows innovative and flexible approaches to agreements and delivery of affordable housing. This included creating a definition for affordable housing and adding an objective to "facilitate affordable housing" within the act.
- Further to the above, there have been several changes in planning schemes to allow **for section 173 agreements** in the planning permit stage to enforce a proportion of affordable housing within private developments. Councils such as Hobson's Bay, Port Phillip and the City of Melbourne have all sought to use this measure to create affordable outcomes. The benefit of a Section 173 Agreement is that it can be recorded on the title to the land so that the owner's obligations under the agreement bind future owners and occupiers of the land. This agreement could lead down several different affordable delivery options, such as:
 - Gifting or discount of a specified number of dwellings to government or community housing provider.
 - Cash in Lieu of provision if it is deemed financially unfeasible to provide affordable dwellings directly
- We note that at the end of 2019 there was a **Ministerial Advisory Committee** meeting to discuss affordable housing delivery in Victoria. Given this has not been released for use in this study, recommendations for delivery in this report must come with being flexible to react to what comes out from that along with wider fluidity in policy arising from the global pandemic stimulus efforts.

1.2.2. State Panel Hearings

There have been several significant sites by scale and influence to undergo a process of redevelopment or renewal on which the Victorian Planning Authority has been engaged to provide advice and guidance through panel hearings. This works to ensure recommendations for each site are consistent with State planning policy and strategic direction. The resultant outcomes form precedents that could be brought into Arden.

East Village

Once an important 25-hectare site hosting the Virginia Park Business Centre and some adjacent small-scale industrial & commercial properties, East Village in Bentleigh East has seen a reduction in businesses in the past 20 years, particularly manufacturing businesses that have relocated to the urban fringes. With the significant scale of the site within a well-connected area, Glen Eira Council have begun working with the VPA and the landowners to form a precinct structure plan for East Village such that it regenerates into an “environmentally sustainable and innovative mixed-use area with a focus on employment and education” (Glen Eira Council, 2019).

Given the rezoning of the precinct would in some areas enable up to eight stories and create a significant value-add, there is a requirement for 5% affordable housing across an initial limit of 3,000 dwellings to be developed by the three landowners via a Section 173 agreement. The terms of the section 173 agreements are for 2.5% to be produced before the first stage of around 1,500 dwellings are constructed, and then a further 2.5% produced before the second stage of over 2,000 dwellings is constructed. As part of the staging one landowner, MAKE, is developing all the affordable dwellings in stage one, taking on a larger share of the affordable housing output following private negotiations with the other two landowners. MAKE will receive direct monetary compensation for doing this from the other two landowners who will instead equally share the delivery of affordable housing in stage 2.

This demonstrates a scenario where innovative private negotiations, noting that this much easier with only a few landowners, and collaboration expediate the pre-construction process through making concessions to match different preferences and needs.

Fitzroy Gasworks

The Fitzroy Gasworks site is a State owned site located on the northern end of Smith Street in the suburb of Fitzroy North, around 2km to the north east of the Melbourne CBD covering over 30,000 sq. m of land area with now defunct commercial and light industrial space. Between 2016 – 2017 Development Victoria undertook a series of engagements with the community and key stakeholders and a key priority that came out from this was for Affordable Housing provision.

In 2017 the site was referred to the Government Land Standing Advisory Committee and in July 2018 the minister for planning. It was eventually rezoned to mixed-use from a mix of public-use and commercial 2 zones with a gazetted requirement for 20% affordable housing provision as per the Development Plan Overlay schedule 16. A single, government owner certainly aided the high proportion of affordable housing that will go here relative to other precedents around Australia, enabling the site to meet the competing needs of the community, Yarra Council and the State.

Precinct 15, Altona North

Precinct 15 is a 67-hectare, ex-industrial strategic site in Altona North, part of Hobson’s Bay Council. It has 25 individual owners although the Precinct 15 Landowners Consortium (P15LC) owns a majority 82% of the precinct. Following identification as a strategic site in the *Hobson’s Bay Industrial Land Management Strategy 2008*, the land was finally rezoned to a Comprehensive Development Zone to allow the development of 3,000 dwellings alongside some commercial and retail uses.

Within the initial Industrial Land Management Strategy affordable housing was included as a target for the precinct, and this has been carried through to the Comprehensive Development Plan. Initially Hobson’s Bay Council supported a gifting of 10% affordable housing as per their *Affordable Housing Policy Statement 2016*. However, the P15LC opposed this proposing a 5% affordable housing yield at a below market rate should be adopted, given the 10% is “untested”. There was further rejection of this by the hearing panel who pointed to a lack of state-wide policy framework to enforce the mandatory gifting of dwellings, so any requirement would need to be a negotiation between both parties.

This resulted in a 5% target set out in the Comprehensive Development Zone, with dwellings transferred at a discount to registered housing providers. Initially this discount was to be 20% off market value but was increased to 25% following negotiation with Hobson’s Bay Council. To enforce this, it was written into the Comprehensive Development Plan that any plans for subdivision in the precinct had to enter into “an agreement under section 173 of the act that obligates the landowner provide for 5% of the total number of dwellings permitted by the subdivision” (VPA, 2017).

West Melbourne & Fisherman’s Bend are discussed in section 1.3. related to City of Melbourne Housing Strategy.

1.2.3. Key Learnings – State Government Policy

Key strategic planning documents such as Plan Melbourne put a focus on affordable housing outcomes into the near and extended future. Focus has been put on utilising surplus land for delivery, improving funding for housing providers and management, and streamlining processes and innovative solutions to the challenge.

Currently the most enforceable method for affordable delivery within the State Government statutory policy is via Section 173 agreements agreed to at the permit stage. Even though these are a voluntary measure through negotiation, it can be made mandatory to enter a negotiation upon plan of subdivision as shown in the panel examples at East Village and Altona North. This in theory will increase the likelihood of affordable housing being delivered whilst not confirming it.

Panel hearings at East Village and Precinct 15 both had council and / or the expert witness panel recommend a rate of affordable housing of 10% - 20% be adopted in each precinct, only for the final decision to be between 5% (East Village) - 6% (Precinct 15). Common reasons for this are development feasibility concerns with 'overly onerous' affordable housing requirements, lack of precedent within the State for a higher rate, and capacity for non-mandatory, negotiated contributions to be successful at a rate above 10%. Development Victoria's Fitzroy Gasworks on the other hand is aiming for 20% affordable housing in the renewal site. This is primarily a result of the site being developed by the State Government who are more bound to community and needs outcomes than financial outcomes than the privately owned East Village and Precinct 15.

1.3. CITY OF MELBOURNE HOUSING STRATEGY

Local councils' role in addressing affordable housing is largely through setting out the pattern of land use and built form throughout the government area by using zones, overlays and policies. They also oversee the planning permit process and restrictions / covenants within these, which is important to note given the current reliance on section 173 agreements in delivering affordable outcomes. The City of Melbourne has a leadership role in the Greater Melbourne area as the capital city region, so are important advocates for change at the state and federal level. Importantly, they also have a large say in how council owned land is used which is of relevance at Arden. We note however that ownership is spread across both the Local Government and State Government.

Below outlines what is currently being done within the City of Melbourne to provide affordable housing as well as the needs assessment from SGS and the housing strategy draft that has resulted from this, which will inform future affordable outcomes.

1.3.1. SGS Housing Needs Analysis

In 2018, the City of Melbourne engaged SGS Economics and Planning to undertake a Housing Needs Analysis to assess the current and projected need for affordable housing in the municipality. The assessment estimates the shortfall in social and affordable housing in the municipality as at 2016 and 2036 and establishes an appropriate target for Council's housing policy. The report also discusses the various means by which this target might be achieved and the impacts of different policy levers and mechanisms.

SGS estimates that the City of Melbourne currently has a deficit of around 5,500 social and affordable housing units. Going forward, "if there is no addition to the City's social and affordable housing stock, the shortfall in these dwellings will grow to between 16,900 and 29,700 units by 2036 depending on the share of metropolitan growth in affordable housing need which is assigned to the Melbourne LGA".

With the gap established, SGS go on to consider what social and affordable housing provision target the City of Melbourne could adopt. Two approaches to setting this target are examined: (1) is calculated as the gap in demand after considering what other levels of government deliver; and (2) is based on precedents from other local government policies.

SGS suggest Council adopt a target of 8,800 additional dwellings by 2036. This is still well below the need-based target but is deemed realistic and achievable, taking a rate on the upper end of the precedent assessed in the report, namely Ultimo/Pymont in Sydney,

SGS review an extensive array of policy levers and mechanisms available to Council to meet the municipal affordable housing target. SGS consider the most achievable tool for achieving the target to be a non-mandatory inclusionary zoning mechanism:

"Without pre-empting any future social and affordable housing strategy that Council might adopt, our review of supply levers available to the City of Melbourne under current policy settings controlled by the State and Commonwealth Governments suggests that the most effective approach for Council would be to:

- Extend the Fisherman's Bend affordable housing target approach to all relevant parts of the municipality and lift the ratio from 6 per cent to 10 per cent.
- Extend the principle of the Fisherman's Bend floor area uplift for social housing scheme to all relevant parts of the City. This would mean revamping AmC270 to require proponents exceeding a FAR of 18:1 to provide social housing as the sole offsetting public benefit."

Considering the 6% requirement has so far not yielded any affordable housing dwellings it is unclear how the proposed 10% would achieve a different outcome. The reason given is that it will increase the "onus on proof" that must be provided "should they not meet the nominated target". They also look to have this fully introduced through consecutive "ramping up" to 10%, leaving a shortfall in earlier years that could be 'backfilled' "via other mechanisms."

The study also investigates how a mandatory requirement could impact the local property market. SGS's modelling focuses on the impact on residual land values to the extent that development sites would be withdrawn. SGS performed an economic evaluation of mandatory inclusionary affordable housing, on a per dwelling basis, using conventional cost benefit analysis as prescribed in the State Government state public finance guidelines. On the cost side, the analysis considered dwelling construction costs, maintenance and operating costs and reduction in RLV. The offsetting benefits included health cost savings, reduced domestic violence, reduced costs of crime, enhanced human capital, worker retention, educational benefits, improved community pride and social justice, retained cultural value, enhanced social capital and the gain in housing services. All together it was estimated that for every \$1 spent on affordable housing, \$3 of net community benefit is created.

Their analysis notes that, in terms of financial feasibility, "a target of up 10 per cent could be adopted without distorting the local housing market". The study indicates that "while some landowners will suffer a loss of value in their property, mandatory requirements would deliver a strong net benefit for the whole community".

SGS concludes that: "Assuming an affordable housing provision rate of 10% operated via some form of mandatory requirement and further assuming an implementation ramp up period that sees this policy taking effect from 2021, we have estimated that Council could deliver in the order of 4,300 affordable dwellings via this inclusionary approach. The balance of the 8,800 additional units might be met via floor area uplift mechanisms, direct investment or through Registered Housing Associations leveraging gifted stock to acquire additional dwellings."

1.3.2. City of Melbourne Affordable Housing Strategy

This section outlines the existing and proposed draft housing strategies from the City of Melbourne. Remaining informed of the targets and intentions of the Local Government Area the decision will in turn assist to inform the solution at Arden.

Homes for People: 2014 - 2018

Homes for People 2014 – 2018 was the City of Melbourne's most recent Housing Strategy. It sought to bring a focus to the issue of housing the population of the LGA into the future given forecast population expansion. It looks to assess and create some concrete goals for a defined period to expediate a housing outcome. Overarchingly, the strategy positions itself to answer the following questions "How can we help deliver more affordable housing while improving the design quality and amenity of new homes? How can we do this in a way that meets the diverse needs of our residents, while still ensuring enough new housing is built for our increasing population?".

The strategy was driven first from a discussion paper in 2013 called *Future Living* that sought community engagement on the housing situation for residents and where they believed there could be areas of improvement. The community put an emphasis on **declining housing affordability**, as many pointed to "insufficient affordable housing for vulnerable community members | poor access to affordable housing for low income workers | rising costs of housing outpacing growth and inflation". Residents also believed there was a **poor diversity of housing choices**, with only investor led products with a small number of bedrooms on the market and a "lack of resilience in housing stock". Finally, there was an emphasis on housing being of **poor quality and amenity** in the City of Melbourne about size, layout, amenity and environmental performance.

Alongside this, precedential policy and academic research, the City of Melbourne concluded the following about the nature of the housing problem that needs to be addressed in the LGA:

- **"Affordability means different things to different people"**: The City of Melbourne looked to define affordable housing is subsidised housing outside of the main housing market provided to eligible households, eligible meaning being within specified low- or moderate-income ranges. Similarly housing affordability refers to the measure of whether one does not have the capacity to afford housing, quantified by the housing stress indicator or "when rent of mortgage payments exceed 30 per cent of the gross household income for low and moderate income households". Note the specification of income, as paying over 30% of income to housing for someone with a high income is assumed to be manageable by their relatively high residual income.
- **"There is a need for more affordable housing (subsidised) in the municipality"**: It was defined that "only 6 per cent of available housing in the municipality was affordable to the lowest 25 per cent of earners" in 2012, and "of this only 1 per cent was provided in the open market". A factor driving this was the fact that many low-income households were having to spend more to be in the LGA and close to employment to avoid living in the outer suburbs "dependant on public transport investment and vulnerable to petrol price increases".
- **"Tax structures favour homeowners and property investors"**: a Grattan study found those who owned homes on average received much greater benefits from the government through tax concessions, incentives and direct subsidies than those who rent. This is both an issue of equity as those who can only afford to rent will typically have a lower income and works against affordability when an owner purchases multiple property to achieve greater tax benefits (negative gearing).
- **"Our problem is not land supply"**: land supply is often the 'scapegoat' for housing affordability in inner city regions around the world such as London and Sydney. However, this cannot be applied to the City of Melbourne as there are multiple opportunities for urban renewal and otherwise densification or surplus land development.
- **"High land value and construction costs are impacting affordability, housing mix and design quality"**: given supply of land itself is not the issue, City of Melbourne points to the high construction costs and interrelatedly the high value of land slowing the 'efficiency' of development itself being the main impacts on not only affordability but also mix and design. Land values are a factor of the high amenity area compounded by the exponential growth of population in the wider GCCSA, many of whom are demanding to live near to the CBD. Construction costs are high primarily due to the types of land that are available in the city, areas like Arden that need a lot of remediation work, but also lengthy planning times. To combat this the City of Melbourne suggest rezoning policies work to capture the value and redirect this to neutralise added construction costs, and also provide greater clarity within policies and development constraints, such that planning times are lowered from the outset and reduce the risk that developers have to re-submit multiple changes on a proposal.

- **“Development finance and viability are crucial to deliver new housing”**: equally to the above, driving supply of housing is more often than not the private market, who look to ensure a profit “around 15 to 25 per cent” on every development. Changes that look to impact affordable housing provision must be wary of this and ensure that the affordable housing mechanism does not create a situation whereby development does not occur.
- **“Investors have a dominant influence on the (lack of) housing mix and quality”**: Around 85% of apartments in the LGA were purchased for investors at the time of the strategy. Investors drive financial profit maximisation through demanding smaller products with high yields, both impacting affordability and limiting the mix of apartments. Strategies need to account for promoting a mix of products that will allow for owner occupiers.

Other key findings:

- **“Buying a home in the inner city is outside the reach of many households”**
- **“High levels of housing supply isn’t delivering a good housing mix and social diversity in the community”**
- **“Quality, amenity and performance are decreasing while density is increasing”**
- **“Our lack of housing mix and affordability is impacting on long-term community building and support for a vibrant cultural life”**

Three key targets were derived from this background and brought forward into the *Homes for People* housing strategy. These are listed below, expanded upon by what has been done since to meet them:

1. **“Help provide at least 1,721 affordable homes (subsidised) for low- and moderate-income earners by 2024”**

The basis for this target was to deliver from 15% of the units developed between 2016 and 2021 that did not already have a permit. This was considered “comparable with other Australian state capitals”. Affordable housing here should be managed by registered housing providers and within mixed tenure developments, both in terms of rentals and purchaser products and ‘tenure blindness’ between what is an affordable home and what is a market home by design. Affordable tenure could be social rented housing, affordable rented housing or, intermediate housing (rent and then buy or shared equity schemes). The one mechanism put forward is the Community Land Trust model, whereby land is held in perpetuity both retaining community benefit into the future and allowing for cheaper land given one is purchasing or developing renting with reduced property rights.

To date this target has not been met. The reasons and issues around this are explored in section 1.3.3.

2. **“Improve the design quality and environmental performance of new apartments”**

Design quality and environmental performance waned as demand for space grew quickly without proper apartment guidelines and specifications to adhere to. Since the trend for medium and high-density housing is here to stay and will continue to expand, the City of Melbourne has made this target to establish a set of guidelines that will ensure living standards aren’t further encroached upon.

The Better Apartment Design Standards were subsequently formed and released the State Government three years later in 2017, establishing a set of rules that must be followed for apartments by bedroom type and more broadly for apartment developments to allow staple needs like natural light into units.

3. **“Foster a high level of awareness and knowledge around good housing outcomes”**

This goal looks to hold the City of Melbourne accountable to continual engagement within the community and similarly spreading their expertise on housing matters and outcomes to “show leadership, provide direction and work collaboratively with all stakeholders and the broader community to help achieve better housing outcomes for the City of Melbourne”.

[Draft] Affordable Housing Strategy 2030

Following the SGS study, the City of Melbourne has developed a new municipal housing policy with the City of Melbourne *Draft Affordable Housing Strategy 2030*. The *Draft Affordable Housing Strategy 2030* proposes the City of Melbourne's policy and actions for the next 10 years.

The report works in some ways as a response and call to action of both the housing issues that have accentuated since the *Homes for People: 2014 – 2018* housing strategy and also the lack of affordable housing that eventuated from this strategy. Reflecting on the current housing strategy and delivery system, the City of Melbourne list the following learnings:

- Current uplift incentives are inconsistent and are not delivering affordable housing.
- Uplift incentives may compromise the planned design and density outcomes for individual sites and the broader neighbourhood.
- Opportunities to deliver affordable housing on larger development. Publicly owned land has been ad hoc and produced limited stock.
- Changes to the Victorian Planning and Environment Act 1987 related to voluntary agreements for affordable housing were a step in the right direction but have had limited impact on the delivery of affordable housing.
- Affordable housing targets for new developments are not being met due to the voluntary nature of affordable housing agreements.
- Value capture opportunities for affordable housing have been missed when rezoning land in the past. There is a need to commit to affordable housing requirements early and providing certainty around these requirements.

Expanding from this to set up the report, three statements are provided giving the basis for the report.

- **“We have an alarming shortage of affordable housing”**: The City of Melbourne have calculated a total supply shortfall of almost 5,500 affordable homes across the city of Melbourne, that will grow to 23,200 by 2036 with no change. To address the shortfall approximately 1 in 5 dwellings will need to be social or affordable. The shortfall has been posited to population growth, rental growth above wage growth and lack of investment or inaction on delivery of affordable and social housing over many years.
- **“Affordable housing is essential infrastructure... Addressing the affordability crisis is complex and requires a cross government and cross sector approach”**: Referring to the SGS research establishing that \$1 investment in affordable housing creates \$3 worth of public benefit as well as Infrastructure Victoria's addition of Affordable Housing to its' top 3 priorities for the state in the next 30 years, the City of Melbourne stress the need for housing to be put on the same pedestal as investment in other infrastructure such as public transport and roads from both state and private sectors.
- **“Our focus is on affordable rental housing”**: The affordable housing focus for the City of Melbourne will specifically be concerned with rental housing and increasing the quantum of this housing tenure typology, in reference to trends in housing tenure across Greater Melbourne and the suitability of this tenure to affordable housing production given its' financial accessibility relative to purchaser products.

The resultant overarching goal is then to **“increase the supply of appropriate, accessible and affordable rental housing with the Municipality of Melbourne”**. This is proposed to be achieved through actions within five priorities:

1. “Deliver more affordable rental housing on City of Melbourne-owned land”.

Upgraded their affordable targets on council owned land from 15% up to 25%, potentially going above this in urban renewal precincts. This is proposed to be achieved via partnerships with key stakeholders and trialing of innovative housing models.

Actions include:

- Committing a council owned site for a housing project to address homelessness.
- Seeking funding through Victoria's Big Build so that to enable the leasing of a site to a community housing provider to provide long term affordable rental housing.

2. “Advocate for systemic change and new and ongoing investment for better affordable housing outcomes”.

Align relevant stakeholders, State, and Federal government with the above strategies to enable the cross sectoral, cross governmental solution that was described above. This goal is considering the limited capacity that the City of Melbourne must create change given their roles as a local government and their funding relative to the State and Federal governments. Equally it points to Victoria having the lowest investment in affordable housing out of all the states which is compounding the lack of action at a local level; for the shortfall to be filled there must be more investment at a State level.

Actions include:

- Advocating for a State level 10-year housing strategy with clear affordable housing targets and actions
- Advocating for a review of the floor area uplift and delivery of public benefits clause (22.03) to either remove the option to build commercial office space or give greater weighting to affordable housing delivery.
- Advocating for a Federal, long-term housing and homelessness strategy that commits towards systemic change in the housing market, as well as increased funding of the affordable housing sector.
- Advocating for a special funding arrangement from the Victorian Government and Federal Government to improve the level of social housing in the city.
- Advocating the private sector to deliver “innovative and diverse affordable housing options” such as demonstrated by the Assemble Model and Nightingale Housing.

3. “Facilitate more affordable housing through the planning system”.

Noting that mandatory inclusionary zoning remains as “the most effective means of increasing delivery of affordable housing through the planning system”, in the absence of this the City of Melbourne is prioritising facilitating delivery through strengthening planning processes, policy and resources.

Actions include:

- Developing a corporate policy to improve consistency and clarity around affordable housing contributions within developments on private and public land.
- Review uplift incentives to explore how greater weight and clarity can be applied.
- Improving planning process efficiencies with assistance from the State government, which may include processing affordable housing development on a priority list.

4. “Partner with governments, industry, peak bodies and the community to increase affordable rental housing”.

Utilise strategic partnerships and dialogue between industry sectors to facilitate greater provision of affordable housing, utilising the role as the capital city council area.

Actions include:

- Partnership with the Victorian Government to develop the Social and Affordable Housing Compact (part of Victoria’s Big Housing Build)
- Investigate a special purpose entity to manage affordable housing contributions that could stretch across multiple council areas or and the state.
- Partnerships with Aboriginal organisations to ensure appropriate affordable housing options are available for Aboriginal people in Melbourne.

5. “Respond to the Covid-19 crisis with affordable rental housing”.

Given the large and sustained impacts of Covid-19, investment in social and transitional housing is prioritised.

Actions include:

- Advocating for Federal stimulus funding for social and transitional housing
- Work with the Victorian Government to support the Big Housing Build, including identifying surplus sites for development.
- Advocating for vacant properties to be head leased by the State government to provide affordable housing.
- Develop a Key Worker 3000 affordable housing initiative with the State Government.

Other points of interest are summarised below:

Urban Renewal

- “Urban renewal areas present unique opportunities to substantially increase the supply of new affordable housing. This is due to the extent of underutilised land available in these areas and the opportunity Council has to shape these precincts as they are regenerated. In urban renewal areas this is an opportunity to be ambitious on Government land to lead the market. On these sites, consideration will be given to accommodating greater than 25 per cent affordable housing.”

Available Mechanisms to Stimulate Delivery

- Value capture and density bonuses are considered important tools within urban renewal precincts particularly, although must be done with enough foresight so that purchasers / developers can incorporate these controls into their cashflows prior to purchase and also not compromise design or density objectives.
- Building on government land is stressed as there can be greater control over what is developed and can create affordability from the land purchase price or lack of land purchase, if retained on peppercorn lease, that flows into the unit rents.
- Voluntary agreements such as section 173 agreements at the permit stage are considered useful and certainly would enforce delivery if signed off on, but given their voluntary nature there is always a risk that it does not get taken up, or, if it is written into the planning scheme for subdividing lots like in West Melbourne or Fisherman’s Bend, that the proponent decides they are still financially better off going to VCAT to appeal. Adding weight to this is the fact that “no voluntary agreements have been entered into with landowners for the delivery of affordable housing in the City of Melbourne”.

Development & Management of Affordable Housing

- “Developers in the property market typically aim to achieve a fixed profit margin through the construction and sale of housing. Where incentives and bonuses provided offset the cost of delivering affordable housing to the community housing industry then affordable housing outcomes will be feasible within their operating model.”. However, as raised above, there have currently been no take ups of these incentives due to their voluntary nature. Even so the private sector is the primary contributor to the housing market more broadly, so strategies that look to stimulate the private sector will ultimately be the most effective in the current market. Types of development mentioned to try and leverage the private investment also include the burgeoning Build to Rent asset class for affordable housing, although it is noted that this would require the capacity to impact rates and taxation that the Federal Government oversees, and the Nightingale or Assemble models.
- The draft strategy outlines the potential for a trust that would specifically manage contributions for affordable housing in the LGA but with potential to scale and reach across the GCCSA. The key issues with it could be the inflexibility of trusts to adapt, scalability both financially and organizationally, and the issues with government creating a self-benefitting entity within the National Competition Policy, meaning a lot more effort must go into internal guidelines.
- Much of the responsibility for management of affordable dwellings is placed with community housing providers. The main limitation they find for CHO’s is difficulty to gain financing as they don’t receive enough income to cover housing costs, most comes from government subsidies.

1.3.3. Current City of Melbourne Affordable Housing Measures

As referred to above, over the past decade the City of Melbourne has created several mechanisms and pilot projects to increase the affordability of the rapidly densifying capital city region. These have been in line with what is possible to achieve within the overarching planning system and demonstrate several innovative incentives and permit conditions that have been used to yield affordable outcomes.

However, it should be noted that whilst these mechanisms intended or targeted delivery, so far **no affordable units have yet been delivered within the City of Melbourne during this time**. With that in mind the key reasons why delivery has not occurred is addressed to ensure this is not replicated in the Arden Urban Renewal Precinct.

Key decisions, pilots and mechanisms are listed below, with reference to map 1-2 created by the City of Melbourne for all.

▪ Fisherman's Bend

- Fisherman's Bend is the largest Urban Renewal Precinct in Australia over 491 hectares, stretching over two council areas, the City of Melbourne and the City of Port Phillip. Initial estimates at the gazetting of the precinct in 2016 were for 80,000 residents and 80,000 workers in Fisherman's Bend over the next 35 years. The significance of Fisherman's Bend meant that the State Government were engaged to determine the best outcomes for the precinct.
- In 2018 the minister of planning released the resultant Fisherman's Bend framework, which amongst a series of recommendations for the precinct **proposed a target of six per cent affordable housing within all new residential developments for the urban renewal precinct**. This is to be held up across the Lorimer, Wirraway, Sandridge and Montague precincts although only the Lorimer precinct sits within the City of Melbourne's jurisdiction, the balance is within the City of Port Phillip. This went against recommendations from the two council areas and a series of expert witness statements who argued for between 10 – 30% affordable rental and social housing to be included to meet the need for housing in Melbourne and align with the local council area targets. The minister cited a lack of precedents going beyond 10% and that going beyond would be a potentially onerous covenant on private development.
- Although not heavily detailed within the framework it is likely that this is to be delivered on the **basis that the uplift in value** from the zone changes, combined with improvements in infrastructure and surrounding amenity, will be adequate to more than cover this outcome. To maximise this, suitable government sites are to be identified for higher rates of affordable housing. This will be enforceable through section 173 agreements at the planning permit stage with a common outcome being the gifting or sale at 35% discount of six per cent of dwellings to registered housing providers. Cash-in-Lieu of direct delivery will be accepted although an affordable housing trust has not yet been set up to accept this. An incentive put in place on top of the target was a **density bonus incentive for the addition of social housing beyond the six per cent agreement**. The Social Housing Uplift policy states that developments can increase their total yield in return for additional social housing provision at a rate of 1 social housing dwelling per eight market dwellings added.
- Discussion around the implementation of the 6% were focussed on whether it should be mandatory or voluntary. Expert witnesses further cited a potential mix of mandatory and voluntary measures to achieve an assured base for delivery of around 3%. However, the minister for planning rejected mandatory measures as they are not supported in the statutory planning framework and go against the, at the time, recently passed Housing Affordability Act that puts emphasis on the use of section 173 agreements. Ultimately the discretionary guideline of 6% was included as local policy, in clause 22.27 of the Scheme.
- Looking reflexively at the framework, common issues have arisen on a site by site basis. One is that because the rezoning of the precinct was completed in 2012 well before the above framework was put in place, there has been proven to be little value left to be captured by an uplift in FAR or, more generally, a greater amount of developer rights that could be directed towards affordable housing. Further developers have found a lack of clarity in how the social housing uplift, and development contributions more broadly, are calculated as well as what type of stock is required, increasing the planning time and again reducing the amount of capital that can go towards affordable housing.
- Some examples of developments that have been having issues with the requirements are at Lilix - 51 Thistlewaite Street, South Melbourne, and 118 Bertie Street Port Melbourne.

▪ West Melbourne

- Bordered by the CBD to the east and North Melbourne to the north, West Melbourne is a strategically located suburb of Melbourne that has historically been characterised by low density residential to the north, akin to the terrace housing in the inner suburbs of Melbourne, and industrial around the train line to the south and west.
- In 2018 a structure plan was developed by the City of Melbourne that looked to transform West Melbourne with greater density of residential and commercial uses replacing primarily the industrial sections and some of the low density residential. The State Government has been brought in to weigh in on the structure plan in a panel hearing, give guidance on the future development of West Melbourne and to allow implementation of the proposed land use and built form controls plan via what would be Amendment C309.
- Regarding affordable housing the West Melbourne Structure Plan outlined an intention for **six per cent affordable housing to be targeted for the suburb**, looking at capturing value from forecast value uplift due to the gazetting of the West Melbourne Structure Plan. This is measured at 6% of residential floorspace. **Developers would be asked to gift, discount sale or provide cash-in-lieu of dwellings;** *“provided to a Housing Provider at no cost or to be held in an Affordable Housing Trust and managed for the sole purpose of Affordable Housing, unless otherwise agreed to by the Responsible Authority.”*
- The panel have supported this six per cent target as they agree there is a need for affordable housing here, but also agree that this will not work to cover the quantum of housing needed as per the *City of Melbourne Homes for People 2014 – 2018* housing strategy. Rather, the six per cent is accepted since it is consistent with the decision at Fisherman’s Bend and is not overly onerous on the development feasibility of future development in the area as per the feasibility analysis conducted for the hearing.
- Interrelatedly, issues have already arisen on permissible height and FAR that impact the underlying basis for delivering affordable dwelling through up-zoning or value capture. Since previous controls in the area stipulated a non-mandatory height limit, that many were able to successfully go well beyond, the firm height and FAR controls set out by the structure plan has created a situation where **many lots were purchased at a price that factored in all the value that could have been captured already**. Whilst land speculation is inherently risky and shouldn’t necessarily exempt one from future planning controls that impact the speculated value it will impact feasibility and ultimately overall supply of dwellings as the market adjusts in the short to medium term.

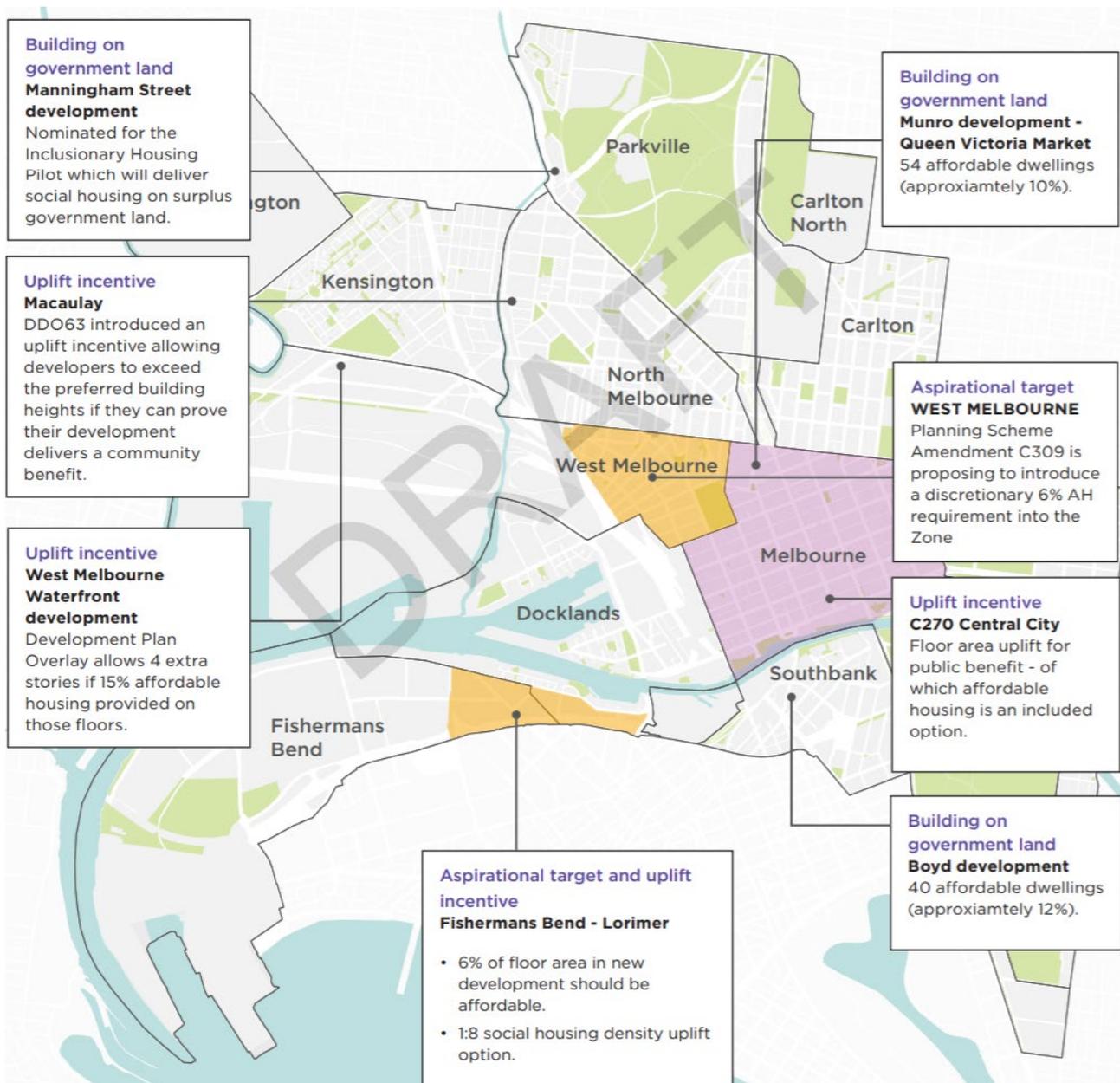
▪ Central City Floor Area Uplift

- In late 2016 the City of Melbourne introduced a **Floor Area Uplift scheme that enables a developer to increase their building footprint in exchange for 10% of this to be set aside as a contribution of cash-in-lieu or physical space that constitutes public benefit**. Affordable Housing is included amongst other forms of public benefit here.
- No affordable dwellings have been delivered yet for a few key reasons. One is that there are a range of options that constitute public benefit, allowing a developer to choose a more profitable use such as commercial office space. Another is the density of CBD as development can already achieve high floor area ratios so incentives on density are less appealing to a developer relative to within a low or medium density area. Relatedly the incentive has been shown to not necessarily be enough to cover the added costs and time of delivering affordable housing.

▪ Pilot Sites

- **Manningham Street Development** is being used as a pilot site to test the feasibility of social housing delivered through inclusionary zoning on government held land. Currently the proposed planning scheme change suggests 15% of the land be used for social housing in line with the *Homes for People 2014-2018* (see attached Literature Review Desktop Research), however given the aspiration for 25% announced in the *Housing Strategy 2030 Draft* (section 1.2.3) this may change.
- **Boyd Street Development** in Southbank will be a pilot for a council led and managed project, delivering 40 affordable units over City of Melbourne managed land.

Map 1-1 Recent Affordable Housing Mechanisms in the City of Melbourne



Source: City of Melbourne Draft Affordable Housing Strategy 2030

1.3.4. Key Learnings – City of Melbourne Housing Strategy

Current measures to stimulate affordable housing outcomes have not worked as none have been built to date. This leaves the target of 1,721 affordable dwellings by 2021 all but out of reach. Compounding this is the SGS research demonstrating that the need for affordable housing is still rising and is estimated to reach a shortfall of between 16,900 and 29,700 dwellings by 2036. A shortfall of 23,200 by 2036 was adopted by the City of Melbourne in the *Draft Affordable Housing Strategy 2030*.

Incentives and targets haven't been reached due to a few reasons; early gazetting or undertaking of rezonings in Fisherman's Bend and West Melbourne led to land purchases factoring in value that was going to be captured; density bonus incentives were implied within areas that already had high FAR's, higher targets on private land have been considered not viable as either too onerous or without an existing precedent; and that all current mechanisms require a negotiation or voluntary agreement, which has been so far evaded.

Arden should look to ensure early clarity over expectations for affordable housing in the precinct to avoid the issues arising in West Melbourne and Fisherman's Bend in particular. If Density Bonuses are to be considered at Arden, this should be in conjunction with the final structure plan for the area to ensure that there is an incentive for developers from a FAR perspective.

1.4. STAKEHOLDER CONSULTATIONS

1.4.1. Outcomes

Over a six-week period from mid-March to the end of April, Urbis consulted a range of stakeholders in government and community housing provision with interests in Arden. These included: DHHS, Department of Treasury, City of Melbourne, Development Victoria, CHIA Vic and the Department of Jobs Precincts and Regions.

Stakeholders were asked in these sessions for their views on the appropriate means and important considerations in delivering affordable housing at Arden. Guiding questions included:

- What are the challenges and opportunities associated with delivering affordable housing in Arden?
- What are some of the Pros and Cons of different approaches?
- What would be required to unlock the potential of specific options?
- Which are the more achievable within a shorter time frame?
- Which require a more radical shake up?
- How do you see affordable housing being delivered in Arden?
- Is there anything unique to Arden that lends itself to specific approaches?
- What would your recommendation be for implementing a workable policy in Arden?

A summary of the key observations from these consultations is included below:

- **Opportunities**

Government land presents opportunities for government to control the response to affordable housing. There is an opportunity to present clear messaging on expectations for affordable housing and to implement it.

Joint venture partnerships between private developers and community housing providers offer opportunities to leverage the charitable status tax exemptions available to community housing providers and assist with feasibility.

- **Challenges**

Looking at affordable housing contributions in isolation is very difficult. For example, with a water services charge, 6-star energy ratings, an innovation levy – how much room is left for affordable housing charges or does it have too great an impact upon slowing down delivery of the precinct overall?

There is a development cost stack that needs to be considered when establishing what is possible regarding affordable housing. It was identified that work is underway to inform the range of development contributions at Arden which will be an important evidence base to inform the affordable housing proposition (as part of the wider infrastructure required).

Higher density is often a catalyst to providing affordable housing, but then higher owners corporation fees increase the cost of management for community housing providers. Community housing providers are reliant on growth funding on top of the low interest loans available through Treasury and NHIFIC. The need for subsidy is a constraint for the sector and grants do not cover operating costs.

- **Unique Arden Considerations**

Arden is predominantly an employment precinct although it is fair to say a lot of people would want to live there. Given its transport connections there is an argument that social and affordable housing makes sense here as well as ensuring there is diversity within the community.

On the other hand, there is a fair amount of DHHS land in the surrounding catchment which means diversity within the catchment could equally be served by targeting affordable rent or key worker housing initiatives that help directly support the innovation precinct and surrounding existing economic anchors.

▪ **Overlapping Themes from Consultations Regarding Delivery Models**

Most respondents referred to the existing and emerging policy context as a clear direction of travel, while also noting that there are a lot of different objectives planned for Arden and that policy could also be impacted by findings of the Ministerial Advisory Committee, which are not yet available for use in this work.

Given the range of objectives and series of unknowns at this point it was suggested this advice be flexible to enable project partners to adapt to changing circumstances. The same logic could also be applied to ensuring the needs of the precinct are adaptable over time, while runs on the board are required quickly, a growing and changing precinct may have different needs at different times. Options where government retains control and flexibility such as community land trust delivering affordable build to rent could be a means of achieving that.

One respondent noted, the best way to ensure delivery is on government land as government can control the outcome. A requirement is needed in Planning that is light touch, with performance targets for proportion of affordable housing. An organisation like Development Victoria can put it in stone through the development process into a Development Agreement so the developer delivers it. Otherwise there is the risk that it does not get delivered.

This delivery model could include Development Victoria releasing super lots out to market, seeking private sector interest and mandating affordable housing provision (e.g. 15, 20, 25%).

1.4.2. Key Learnings – Stakeholder Consultations

To some degree the feedback suggests that the mechanism itself is not the most important if the intent gives clear and early communication on expectations, while also the ability to implement policy intentions.

The ability to achieve this on government land requires planning policy in order to fulfil valuer general land monitor criteria to maintain highest and best use of land.

Given the high amount of DHHS land in surrounding catchments, there is an argument for a focus here to be on Affordable Rental housing and housing for key workers that will support the surrounding CBD, NEIC and internal innovation precinct.

Not all government agencies will necessarily be comfortable taking the impact upon value of landholdings from higher affordable housing requirements or interventions that diminish land value.

The expectation is that proposed city of Melbourne options need to be tested since they are backed by emerging policy statements of intent.

These should be tested at rates that would deliver the affordable housing targets set in the Arden Vision and City of Melbourne material to achieve contributions overall and across private and public landholdings.

2. DELIVERY OPTIONS FRAMEWORK

Upon review of the surrounding policy context, we have then consulted academic and industry research, balanced by stakeholder advice, to gain an understanding of how to deliver affordable housing through the planning scheme and how this can be brought into the development of a housing strategy for Arden.

Section 2.1 explores the mechanisms and concepts that could be incorporated into the housing strategy for Arden. This draws upon our attached “Literature Review and Desktop Research”, where we have interrogated several affordable housing mechanisms that have been deployed around the world to see how effective they were in bringing affordable housing to their respective regions.

Section 2.2 brings these mechanisms to key stakeholders to consolidate the research and provide a sense check on relatively how deliverable (taking on the perspective of government departments and housing providers) different intervention options would be.

Section 2.3 outlines the key steps moving forwards in developing a robust affordable housing strategy for Arden given stakeholder engagements and in reference to the potential mechanisms to enable affordable housing.

This will provide the segue towards an initial investigation of the yield that could be delivered at Arden in order to understand the feasibility testing that will be required to round out the analysis.

2.1. AFFORDABLE MECHANISMS

2.1.1. Literature Review & Desktop Research of Options

- **Capturing Value Within an Urban Renewal Context**
 - Within areas of urban renewal, infrastructure upgrade or where otherwise government has directly improved the underlying land value of a precinct, policy has been implemented to capture this value uplift and direct it to social or affordable housing provision (see West Melbourne).
 - Given Arden will undergo a significant amount of rezoning that will increase the value of the land, capturing the value will be an important mechanism for delivering affordable housing here. It also allows for affordable housing creation that does not require direct government funding and allows for contextual responses to different areas and sites to meet the varying challenges between areas.
 - The risk with value capture is that affordable housing will not be delivered because it becomes infeasible and affordable housing is not mandatory. This has been an issue in West Melbourne where height controls were discretionary for many years prior to the concrete urban design framework coming into effect, leading to many sites being purchased at prices reflecting development potential well above what is now allowed. It is noted that this risk is mitigated by clearly stating the impact of these controls early and how any future change in zone will be impacted by this within a vision document or structure plan.
 - Has been shown to work in Greenfield developments where speculation isn't as high, but in an area such as Arden this method will need to be assessed against what the actual value uplift will be relative to what has been paid for sites to ensure there will be adequate value to capture. Arden is also in a good position to utilize this at the very least over the government held land as this will certainly not have any risk of speculation attached and the true use value can be captured entirely.
- **Voluntary Incentives**
 - This encompasses any voluntary policy or strategic direction set out by council to encourage the supply of social or affordable housing. This could be part of a structure plan that indicates desire for increased affordable housing to a density bonus scheme that increases the floor area ratio of a development in exchange for cash in lieu or social/affordable provision.
 - Voluntary agreements are typically entered into via section 173 agreements, agreeing at the planning permit stage to supply a certain number of affordable dwellings or cash in lieu of affordable dwellings. This can be in reference to an affordable housing target or in return for an incentive such as a density bonus, permit conditions waiver; anything that could either reduce the costs of the development or increase the return.
 - These mechanisms appeal to developers as they are voluntary and appealable, but also allow flexible negotiations from the local council as well and is relatively easy to produce. Unfortunately, the voluntary nature of these means that they are often not taken up by developers.
- **Planning Priority**
 - Offering the removal of processes within, or prioritizing the assessment of, a development as an incentive to provide social or affordable housing provisions.
 - Within a development cash flow, "Fast tracking of the planning approval process create[s] the most valuable incentive" (PWC, 2019) for increasing the feasibility with affordable housing provisioning as it significantly reduces the front-end costs in a financial feasibility assessment. It also improves the demand to develop as a developer will have a shorter period between inception and knowing whether they will be able to go ahead with the development. Further, removing third party appeal rights has been done before and shown to work – between 2009 – 2012 the removal of TPOAR produced 19,700 social housing units across Australia.
 - It is potentially difficult to enable priority planning, as planning permit assessments take the time, they do so that adequate attention to detail has been ensured and to maintain a democratic process in the development industry. Further, if planning priority were allowed it would disadvantage those not developing affordable housing and extend their planning period by proxy. Equally, adding the capacity for priority planning may increase demand for affordable housing development to a point that there can be no priority as there are so many 'priority' projects.

- The process of removing rights of appeal would also be difficult in many scenarios as it involves Council not notifying surrounding properties of a proposed development and instead relying on consultation throughout the amendment process as the time for notice.
 - Speeding up the planning process is likely viable in the Arden-Macauley Precinct due to the high proportion of government land and Arden's stature as an Urban Renewal Precinct. This is certainly a factor that would improve the feasibility for developers although the changes that would bring the greatest benefit (i.e. rights removal) would be the most difficult to bring into effect.
- **Build to Rent**
- Build to Rent is an emerging asset class where entire buildings are developed to be held and rented out instead of sold. This sector is increasingly popular in the US and UK, particularly with long-term low yield investors such as superannuation funds. BTR is a vehicle for more housing. It is a vehicle for more rental housing. If matched by incentives and requirements, there is the prospect this could be an effective model of future delivery of affordable housing.
 - Interest in the sector is increasing exponentially with around 10,000 units completed, under construction or in planning over the year to June 2020, more than doubled on this figure in 2016. The sector can thus improve affordability on a wider scale by increasing overall supply of dwellings, as well as directly supply affordable units. Also this has the potential to reach multiple sectors along the housing continuum with adequate incentives, subsidies, regulations and / or taxation changes.
 - Inversely, there has been a relatively higher taxation on BTR assets relative to Build to Sell although this is being targeted by stimulus policies currently. Largely owned and operated by investment firms that have a legal obligation to return profits to investors, thus seek to maximise profits. If the development is a mix of market and below market rentals, this may be inflicted two-fold on the market rental units to make up for the affordable ones.
 - Affordable rental housing delivered by BTR can be made feasible through the variety of tax exemptions that are provided to community housing providers, "As charitable bodies, community housing organisations also benefit from land tax, stamp duty and GST taxation concessions." (Victorian Parliament, 2019). The upcoming incentives for BTR announced in the recent State Budget enhance the potential for affordable BTR, particularly around the discount to land tax which was widely cited as an impediment to development. Residents also can receive Commonwealth Rent Assistance in Community Housing. Equally there would be cross benefits of BTR combined with CLT or crown leases as the land purchase price is removed from the cash flow. City Futures in Sydney estimated that a reduction in land costs would be by far the greatest means of improving the feasibility of affordable BTR, which is being targeted to an extent by the land tax discount.
 - Financialization of housing through the financial sector is also widely attributed to contribute to affordability issues around the world. By redirecting investment capital towards affordable outcomes whilst maintaining the success of the sector for investors, this could assist to both deliver a high quantum of affordable housing and reduce the upward pressure on housing prices caused by institutionalised investment into market price housing.
- **Peppercorn Lease / Community Land Trust / Land Rent Scheme**
- Within this mechanism, the Government or a registered community housing provider holds the rights to the land and gives out [e.g. 99-year] leases for buildings on top of the land to either a developer, housing provider or the residents themselves finance construction of a building on top of the land. This reduces the upfront costs by removing or reducing the land purchase and instead paying rent for the right to develop and / or occupy the fixtures on land.
 - One of the largest cost impacts on the development feasibility calculation is land purchase so by removing that the optimal IRR of the project can be achieved with a reduced overall cost, leading to cheaper dwellings. It also allows the government to retain their land holdings, securing community benefits for the future as purchasing back land that has previously been sold will always be more expensive. This also enables the government to keep the land affordable in perpetuity if seen fit.
 - The difficulties arise in the complexity of the legislation within the contracts, particularly in a largely untested Australian context where freehold is the most common form of ownership. It also removes the appreciating potential of property as land appreciates whilst the building itself depreciates, which is both a negative as many use properties as a mean of creating value, or positive as the property remains affordable. The latter is important to note as most if not all people who require social and

affordable housing will not necessarily be as concerned with value uplift of their property, they are more concerned with affordable and secure tenure.

- With the high proportion of public land within Arden, this mechanism should be investigated for their viability within the City of Melbourne context as they remove significant barriers to entry for affordable outcomes. Although it is understood the difficulties of establishing and operating a scheme like this.

▪ **Inclusionary Zoning**

- Inclusionary Zoning mandates provision of affordable housing through an overlay on the site. This can be done through direct provision and construction of social or affordable housing stock, or via a cash-in-lieu payment that will go towards social or affordable housing elsewhere. Currently it is not possible for local governments to add an inclusionary zone or contributions overlay relating to affordable housing but there are many advocates for it to be introduced into state legislation.
- Unlike voluntary incentives inclusionary zoning is mandatory so will enforce affordable outcomes. It also is more effective than section 173 agreements as does not require a negotiation at the planning permit stage, has less grounds for appeal and provides a more consistent application. Further, IZ is both the most effective mechanism of delivery according to SGS, and one of four advocated mechanisms by the City of Melbourne.
- However inclusionary zoning will impact the underlying value of the land as the IRR on investment is reduced. This isn't an issue in the long run as land value continues to rise but will initially impact all current landowners who had purchased the land with the pre-existing controls in consideration. It is also difficult to raise an affordable outcome that matches the actual need for affordable housing on private land for similar issues with financial feasibility dependant on the scale of mandatory contribution. In this way a ramp up period like suggested in the SGS Housing Needs Analysis would work to negate this impact on existing landowners whilst also providing affordable outcomes.
- In summary, Inclusionary Zoning has the potential bring about social and affordable housing, although it is likely to be more effective alongside enough concessions, incentives and/or a period of transition for current landowners. There also may need to be consideration for restricting or setting out specific mixes of affordability groups as a covenant to the zone or overlay so that developers don't just target moderate income users, who can afford to pay the most relatively. It is worth noting that inclusionary zoning would require changes to state legislation and therefore at this stage faces challenge in implementation.

2.1.2. Key Learnings – Affordable Mechanisms

Value capture mechanisms are most effective in areas of urban renewal and significant 'up zoning'. The speculation that occurred in West Melbourne and Fisherman's Bend that impacted the capacity for value to be captured is less likely to be an issue in Arden with the high proportion of longstanding and government owners.

Planning Priority has been shown to accelerate delivery and should be considered at Arden.

Voluntary incentives have not yet been successful in the City of Melbourne, but can be useful mechanism for delivery, as shown in Altona North, East Village & Gasworks (see section 1.2)

The benefits of Community Housing providers as charitable bodies should be utilised to further affordable outcomes. Community Housing providers have access to additional Commonwealth Rent Assistance and do not have to pay GST on purchasing and management costs of new housing. They can also access the Social Housing Growth fund to receive "low cost loans and government guarantees" (D.H.H.S, 2019)

Inclusionary Zoning would bring about social and affordable housing, although it is not currently available in Victoria. The mandatory nature of inclusionary zoning will instantly reduce the underlying value of the land and this gap will need to be compensated either through planning assistance (as observed in Toronto), adequate density bonuses, direct funding or otherwise in the short term.

Public land is an asset if held through Community Land Trusts as it removes the significant financial barriers to entry for social and affordable housing providers. Public land is also exempt from land tax and could assist in the development of affordable Build to Rent housing by removing the large costs involved with land purchase and financing (see Public Housing Renewal Program in Melbourne and Communities Plus in Sydney).

2.2. STEPS REQUIRED TO PREPARE AFFORDABLE HOUSING STRATEGY

It is clear from the stakeholder consultations that there are several perspectives on how affordable housing can be delivered in Arden.

The overarching finding is that in an environment of constant change there is a need to find flexibility. Any framework for guiding and delivering affordable housing needs to be able to respond to the following factors:

1. Changes in the housing market that drive need for social and affordable housing
2. Changes to federal, state and local policy that impact upon funding and planning of social and affordable housing
3. The changing needs of the Arden precinct as it grows, develops and evolves
4. Development costs, including to fund other aspirations of the Arden precinct and the impact these could have on feasibility of delivering social and affordable housing development amid development activity more broadly

In our view the steps required to deliver a robust and deliverable strategy are as follows:

- **An evidence base of need** and how it is to be met – This stems from the previous work prepared by SGS for the City of Melbourne and as always can be informed by housing providers that are in touch with the needs of residents. It will be important to keep this evidence base up to date to understand the impact of policy and any changes required to continue to deliver outcomes.
- **Review of options** as new models come to light. We have reviewed a number of options in this report and there are emerging front runners that are being promoted in local, state and national policy. However, as the environment changes, flexibility is required to enable delivery via models that are successful and proven to be deliverable. This is especially pertinent in Victoria, where there has not been widespread delivery yet of social and affordable housing in response to existing policies.
- **Engagement with industry** is also a critical part since they will be required to deliver the intended outcomes. Our feedback in the past is that the development industry can adapt well when consulted and can make informed decisions about future opportunities. It is also likely that a number of the larger developers will be engaging with Arden stakeholders across a diverse set of issues and opportunities, so gaining insight into the broad opportunities and costs involved in delivering the infrastructure (including social and affordable housing, drainage, innovation precinct funding etc) at Arden will be important. Furthermore, industry proposals will likely present innovative approaches to meet these intended objectives and could impact upon your preferred social and affordable housing strategy. We suggest ongoing engagement with industry groups such as the Property Council of Australia and Urban Development Institute of Australia on development considerations prior to finalising new controls. We also appreciate that the Ministerial Advisory Committee proposal to government is yet to be released and is expected to have important considerations for how affordable housing is delivered, once released.
- **Development Contributions Review** is understood to be in progress at Arden and will be an important component informing development outcomes.
- **Feasibility testing** is a fundamental requirement to inform how deliverable certain requirements are under specific market conditions. The second stage of this research sets out to test the feasibility of affordable housing contributions according to commercial development principles. This will assist in understanding the extent to which affordable housing contributions are viable under current development models, while also helping to identify where viability could come under pressure from other interventions or development cost requirements.

2.3. CONCLUSIONS ON DELIVERY OF AFFORDABLE HOUSING

Management and Development of Housing

Affordable housing at Arden is likely to be primarily developed through the private sector and managed by housing providers to match the financial capacity of each sector. However, it is noted that a special purpose vehicle set up by the City of Melbourne, like what was observed at Ultimo – Pymont and throughout many Boroughs of London, could have the potential to capture value through different partnership structures and enact joint venture developments with the private sector or larger housing providers although this currently is available. Equally, innovative housing models that enable private developments to provide affordable housing unilaterally such as observed at Assemble in Clifton Hill, Vic or Bowden B in Bowden, SA should be encouraged and allowed to further increase the capacity to deliver affordable dwellings in Arden.

As retaining the community benefit through affordable dwellings is a long-term solution, measures should be set that retain dwellings as affordable for a longer period, which has in some cases been 25 years, although examples such as observed in Seattle have reached as high as 50 years. This should be taken about with the allowance for innovative models of delivery that target specific groups such as Key Workers and consultation with providers about the financial sustainability of such an approach.

Type of Housing

By structure, the affordable dwellings will be primarily units within medium or high-density developments to 'dilute' the cost impact of the handing over or below market sale of a portion of the dwellings. This recommendation should be taken regarding the outcomes of the feasibility testing.

By tenure, rental housing has the potential to meet the largest quantum of need and aligns with the recommendations from the incoming Draft City of Melbourne Affordable Housing Strategy. This is also in line with how affordable housing can be most feasibly delivered through housing providers who are more likely to manage than develop housing given funding. Whilst affordable ownership strategies have been successful in areas such as the Key Start Scheme in Western Australia, these have largely been taken up in greenfield regions where land is already relatively less expensive and not as much within inner urban areas like at Arden.

In terms of mix, where housing providers are engaged, they have been shown in examples and through consultation to prefer to have a tower or separated section with all the affordable dwellings. This allows for ease of management although there should be measures that prevent developments from reducing the amenity of one side of the development given it will not be sold to market.

Mechanisms for Delivery

Given the current possibilities with State planning legislation, Section 173 agreements written into the zone for Arden. This should be based on capturing the value created in the precinct through the rezoning process.

Further incentives and delivery options that have shown to be successful can be tested within further ongoing feasibility analysis to investigate each of their potential to yield greater affordable outcomes at Arden.

3. INDICATIVE SPECTRUM OF DELIVERABILITY

This section explores the extent of alignment or mismatch between housing objectives and the capacity to deliver in Arden alongside any other important considerations in the Arden Vision. This will be placed in context with what quantum of affordable dwellings could be yielded in Arden with reference to the policy climate, stakeholder engagement and prior needs analysis.

Section 3.1 presents the achievable yield of affordable housing in Arden given the prevailing policy environment. This will give an initial indication as to the quantum that would be achieved in Arden in an ideal scenario given what the overarching policy climate has prescribed.

Section 3.2 interrogates how this compares against overarching targets for affordable housing as per precedential housing strategies, benchmarked against the municipality wide SGS Housing Needs Analysis and recent City of Melbourne Draft Affordable Housing Strategy 2030. Further we investigate different scenarios of policy responses on private and public land to achieve these targets with commentary on the appropriate mechanisms that would enable.

It is important to note that these initial yield figures are high level, taken with the assumption that the mechanisms enforcing them are fully effective in producing the intended yield both in terms of the impact on overall supply of feasible dwellings, as explored by SGS in their Housing Needs Analysis, and in that it does not account for indirect contributions such as cash in lieu.

Section 3.3 draws out the key conclusions from this to put forward what should be tested further within the feasibility analysis section.

3.1. ARDEN YIELD – POLICY OUTCOME

Analysis below highlights the yield of affordable housing that would be achieved at Arden given what has been covered in sections 1 and 2. This has been assessed against assumptions provided by the VPA and City of Melbourne regarding the total yield of dwellings by Arden precinct and equally the private / State split of ownership over the land in these precincts.

With reference to the policy context outlined in sections 1.1 – 1.3, we can then derive the likely affordable housing requirements that will be applied to Arden and within that what the quantum of affordable dwelling would be at each rate. We have initially tested the following precedential targets [see tables 3.1-2 for figures]

- **6% Affordable Housing on Private Land**

This is reflective of the current controls in place as part of the 2018 update to the Arden. Urban Renewal Precinct. It is also in line with what has been proposed in West Melbourne and Fisherman’s Bend – Lorimer.

- **10% Affordable Housing on Private Land**

In line with the scaling up of inclusionary zoning outlined in the City of Melbourne Draft Affordable Housing Strategy 2030, whereby inclusionary zoning is proposed to move towards a 10% control by 2031. This percentage is also in line with some overseas examples of inclusionary zoning, such as observed in Toronto, and in line with SGS recommendations for Fisherman’s Bend to be increased to.

- **15% Affordable Housing on State Land**

The Arden Urban Renewal Precinct outlines a goal of bringing 15% affordable housing on council owned land, mirroring statements in the original City of Melbourne “Homes for People: Housing Strategy”.

- **25% Affordable Housing on State Land**

In the recently released City of Melbourne Housing Strategy 2030 Draft there was an impetus to increase the provisioning of affordable housing on council owned land up to 25%. This is getting closer to upper limits in Toronto and London.

- **30% Affordable Housing on State Land**

According to the emerging policy context, within Urban Renewal Precincts an increase to the 25% provision on public land should be considered given the added potential of value capture and density bonus incentives here.

Table 3.1 Total Dwelling Yield by Precinct to 2051

	Total Dwelling Yield	% Housing on Private Land	% Housing on State Land	Private Land Dwelling Yield	State Land Dwelling Yield
Arden Central	1,850 - 2,200	0%	100%	-	1,850 - 2,200
Arden North	2,800 - 3,100	85%	15%	2,380 - 2,635	420 - 465
Laurens Street	1,850 - 2,200	100%	0%	1,850 - 2,200	-
Arden	6,500 - 7,500	65%	35%	4,230 - 4,835	2,270 - 2,665

Source: Victorian Planning Authority

Table 3.2 Affordable Dwelling Yield by Percentage Requirement by Precinct to 2051

	Housing on Private Land			Housing on State Land	
	6% AH	10% AH	15% AH	25% AH	30% AH
Arden Central	-	-	65 - 70	105 - 115	125 - 140
Arden North	140 - 160	235 - 265	280 - 330	460 - 550	555 - 660
Laurens Street	110 - 130	185 - 220	-	-	-
Arden (Range)	250 - 290	420 - 485	345 - 400	565 - 665	680 - 800
Arden (Median)	270	455	375	615	740

*Note figures rounded to the nearest 5

Source: Victorian Planning Authority, City of Melbourne, SGS Economics; Urbis

3.2. ARDEN YIELD – TARGET TESTING

Given the SGS adjusted target of 8,800 dwellings and the City of Melbourne recent target to meet the overall shortfall of 23,200 dwellings to 2036, table 3.3 and 3.4 highlight the indicative proportion that an overall percentage or a combination of measures in Arden would achieve.

Since the overall balance of land by ownership is tilted in favour of privately owned land, each percentage point increase of private land allocated to affordable housing is worth more than each percentage point increase on public land. This is evidenced by the higher quantum yield associated with a 10% provision on private land relative to 15% of public land. However, with respect to the many competing interests on land and with respect to the deliverability of mechanisms on private land compared with public land, one cannot simply apply the measures with the highest yield. There must be a balance with respect to the likelihood of the mechanism being successful, appropriateness of the mechanisms with the surrounding context of Arden, and the impact on overall supply of dwellings due to reductions in financial feasibility.

Table 3.3 Affordable Dwelling Yield by Combination of Requirements Against Affordable Supply Targets

	6% on Private Land 15% State Land	10% on Private Land 15% State Land	6% on Private Land 25% State Land	10% on Private Land 25% State Land	6% on Private Land 30% State Land	10% on Private Land 30% State Land
Arden (Median)	645	830	885	1,070	1,010	1,195
SGS Target	8,800	8,800	8,800	8,800	8,800	8,800
% Arden	7.3%	9.4%	10.1%	12.2%	11.5%	13.6%
CoM Shortfall	23,200	23,200	23,200	23,200	23,200	23,200
% Arden	2.8%	3.6%	3.8%	4.6%	4.4%	5.2%

Source: Victorian Planning Authority, City of Melbourne, SGS Economics; Urbis

By reverse engineering, the outcome we can test the private / public split that would have to be adopted to achieve a proportion of the overall dwelling count for the precinct that will be affordable. To do this we have selected four benchmarks to work towards. These benchmark yields have been used in relation to the current affordable housing target in Arden (6%), the SGS recommendation for City of Melbourne (10%), the South Australian inclusionary zoning precedent (15%) and an upper benchmark yield of 20% to test scenario depth, that is in line with what was originally proposed for Fisherman's Bend, and what has been used in places such as Toronto within strong market areas..

Table 3.4 outlines the affordable quantum that would be produced given these four overarching affordable outcomes from 7,000 dwellings (sum of the median results of total dwellings for each precinct in Arden). This is then compared to the broader municipality targets assigned by SGS and the shortfall of affordable dwellings within the *Draft City of Melbourne Affordable Housing Strategy 2030*.

Table 3.4 Testing Combinations of Affordable Provisions Against Overall Targets

Arden Yield	7,000 Dwellings	Affordable Housing Yield			
		6% Across Arden	10% Across Arden	15% Across Arden	20% Across Arden
SGS Target	-	8,800	8,800	8,800	8,800
% Arden	-	4.7%	8.0%	11.9%	15.9%
CoM Strategy	-	23,200	23,200	23,200	23,200
% Arden	-	1.8%	3.0%	4.5%	6.0%

Source: Victorian Planning Authority, City of Melbourne, SGS Economics; Urbis

Table 3.5 outlines the affordable quantum that would be produced as a split of the provision assigned to public land and private land. Note that private allocation is shown as a series of independent variable rates whilst the percentage allocated to public land is dependent on achieving the overall affordable housing target given the private allocation. This is because private land has been shown across the past two sections to be the main cause of concern within affordable housing mechanisms and established policies given the impact on financial feasibility, typically falling between 5 – 15%. Public land on the other hand is held by government who have social and political motivations that can under some circumstances make up for reductions in financial outcomes.

Table 3.5 Testing Combinations of Affordable Provisions Against Overall Targets

	Private Land (65% of Dwellings)		State Land (35% of Dwellings)		Arden (7,000 Dwellings)	
	Quantum	% Affordable	Quantum	% Affordable	Quantum	% Affordable
Achieving ~6% Across the Precinct	0	0%	417	17%	417	6%
	137	3%	284	12%		
	273	6%	147	6%		
	455	10%	0	0%		
Achieving 10% Across the Precinct	0	0%	700	29%	700	10%
	137	3%	564	23%		
	273	6%	427	17%		
	455	10%	245	10%		
	683	15%	18	1%		
Achieving 15% Across the Precinct	0	0%	1,050	43%	1,050	15%
	137	3%	914	37%		
	273	6%	777	32%		
	455	10%	595	24%		
	683	15%	368	15%		
Achieving 20% Across the Precinct	0	0%	1,400	57%	1,400	20%
	137	3%	1,264	52%		
	273	6%	1,127	46%		
	455	10%	945	39%		
	683	15%	718	29%		

Source: Victorian Planning Authority, City of Melbourne, SGS Economics; Urbis

Of note:

- Achieving 6% across the precinct could be done within the current policy targets without any private land being used, and vice versa for public land. This may be an option explored given competing interests for land in the precinct.
- To do the same and bring about 10% affordable housing across Arden would require using the upper end of the spectrum of rates from policy and precedents worldwide. However, a balanced mix of approaches within this benchmark achieves 10% in theory without unevenly overbearing either owner.
- A 15% target in Arden would mean maximising the contribution from one of both parties across the spectrum.
- Equally, to achieve 20% across the precinct, high levels of provision are demanded from both the inelastic private sector and the public sector. Further, when reducing the private land rate, the rate on public land moves into unprecedented territory and well beyond what is likely to be feasible.

As mentioned, prior, these yields are predicated on assumptions that supply will not be impacted given each of these measures are put into place. Section 3.3 will draw upon the most likely rates of delivery from all the above analysis to investigate the financial feasibility impact of the measures.

3.3. FEASIBILITY ASSUMPTIONS

The feasibility analysis undertaken in Phase 2 of this research will incorporate some assumptions derived from this report as well as others from development experience, consultation with community housing providers and direct advice from the VPA and City of Melbourne to inform an affordable housing feasibility assessment to supplement the research on possible options for delivery. Phase 2 will allow for a sense check on different rates of affordable housing provisioning within developments, with sensitivity checks on high, medium or low land values, different methods of gifting and incorporating market knowledge on market and development constraints.

It is important to note that the analysis of feasibility is also done within the context of the current planning controls, whereby Section 173 arrangements are the primary avenue to delivery. Equally we must assume that all land is sold at a price that is decided in market and reflects the highest and best use of the land, within the existing planning context. In this way the feasibility testing can be assumed to be what would likely occur over the private parcels of land within the current arrangements, and the tested rates of delivery are in line with this. Higher rates of delivery (> 8-10%) are more likely upon public land where the actor has greater control over outcomes, and can look to use innovative mechanisms or processes, many of which are discussed in sections 1 and 2, to enable this. Some of these may include peppercorn lease arrangements, value capture schemes or, if enabled at the State level, inclusionary zoning. A separate scope is being prepared to assess these potential options on public land.

With acknowledgement of these competing demands at Arden within the overarching policy framework, with respect to the available affordable housing mechanisms, and in reference to the above yield assessments, we propose the following scenarios and assumptions be brought forward to be tested for their financial feasibility:

Base Case

- To test the impact of different affordable housing measures we will need to make assumptions about base case, hypothetical developments that will go up within the precinct.
- Given the cost impact of affordable housing measures it is very unlikely that a low rise or single dwelling will be developed for affordable housing purposes unless as part of a larger masterplan or collection of dwellings. With respect to this and consultations with the VPA and City of Melbourne, feasibility testing will take place on two hypothetical sites:

Site 1 – Size: 2,200m² | Floor Area Ratio: 6:1 | 7% commercial, 3% retail, 90% residential

Site 2 – Size: 2,200m² | Floor Area Ratio: 9:1 | 29% commercial, 2% retail, 69% residential

These selected hypothetical developments represent possible developments within the floor area ratio requirements of the precinct and give two different development densities to test given development in the precinct will not be unilateral.

Feasibility Testing Scenarios

For each site there will be testing upon:

- Provision of Affordable Housing as a percentage of Total Gross Floor Area (GFA). Feasibility based on development occurring through a freehold scenario. Tested at 0%, 2%, 4%, 6% and 8% Affordable Housing (AH).
- Provision of Affordable Housing as a percentage of Residential Gross Floor Area (GFA). Feasibility based on development occurring through a freehold scenario. Tested at 0%, 2%, 4%, 6% and 8% Affordable Housing (AH).
- The impact of Affordable Housing on developer revenue has been measured on a Residual Land Value basis, which is derived through Residual Financial Analysis, often referred to as the 'Turner Model'. This method determines on a static (non-escalated) basis, what a developer **can afford to pay** for a particular piece of land (**Residual Land Value**), having regard to the financial returns which can be obtained, less the costs of developing and selling the land, together with an appropriate allowance for developer's profit and risk.

- The models will make concessions to reflect many factors considered by a developer including:
 - Land purchase costs
 - Construction costs
 - Development fees and contributions
 - Land holding costs
 - Financing
 - Profit & Risk allowance

Discount Rates

- For each of the scenarios, the Affordable Housing is provided at a discount to market value (Discounted Sale), tested at 35%, 50% and 100% discount (i.e. no revenue returned from Affordable Housing, essentially gifted). Accordingly, both the number of dwellings provided, and the revenue are variables in the above scenarios.
- Furthermore, for each of the scenarios we have tested feasibilities based on low, medium, and high value residual land values. Low, medium, and high residual land values have been derived through adjustments to the assessed Gross Realisation rates on a per m2 basis [discussed further on page 14 in the Phase 2 report].
 - 100% discount – we consider that this would typically be associated with social/public housing tenants from the Priority Tenant List and/or those tenants that require specialist accommodation due to disability AND the housing provider is unable to obtain the required level of subsidy. Targeted residents will be those within the very low-income brackets as per the ministerial affordable housing income brackets.
 - 50% discount – we would expect that this could relate to social/public housing tenants from either the Priority or Register of Interest Tenant Lists at a mix that is agreeable to a housing provider AND the housing provider is able to obtain the required level of subsidy. Targeted residents will be those within the low and very low-income brackets as per the ministerial affordable housing income brackets.
 - 35% discount – we would expect that this could relate to social housing tenants from the Register of Interest Tenant List or in some other form of Key Worker Housing that has a mandated market rent reduction for moderate income tenants AND the housing provider is able to obtain the required level of subsidy (however this may be to the low end of the range). Targeted residents will be those within the low- and moderate-income brackets as per the ministerial affordable housing income brackets.

See *Phase 2: Detailed Feasibility of Options for Arden* for the full reports and findings.

4. FEASIBILITY TESTING

See 'Phase 2: Detailed Feasibility of Options for Arden' Report

5. NEXT STEPS

5.1. FEASIBILITY TESTING CONCLUSION

The feasibility testing concluded that:

“While there is unlikely to be a ‘one size fits all’ approach, there are Affordable Housing controls that are more realistic than others, which achieve outcomes that are more aligned to the over-arching AH targets of the precinct. This study is based on only two hypothetical sites and cannot capture the effects of the controls across the entire precinct. Therefore, drawing finite conclusions from the data is fraught. The two phases of this project provide the initial foundation and consideration of the challenges and opportunities that the Affordable Housing controls create, for further exploration and development within the strategy.

Each level of discount to market value, be it 35%, 50% or 100%, has its benefits and disbenefits in terms of the amount and type of Affordable Housing created, delivery timeline, project viability (from a developer’s perspective) and the amount of subsidy required.

For example, from a volume perspective, adopting a 35% discount rather than 100% discount (gifted) results in a higher proportion of Affordable Housing being feasible due to the lower cost impost on developers. However, from a tenant typology perspective, the outcome of applying a 35% discount would likely be that the AH created would be limited to the Register of Interest tenant list and/or some other form of Key Worker list (provided they meet the requisite income requirements) that have a mandated market rent reduction for moderate income tenants, and the housing provider is able to obtain the required level of subsidy.

Conversely, at a 100% discount a far lower percentage of Affordable Housing will be feasible due to the increased financial burden on developers. We consider that the resultant AH would typically be associated with social/public housing tenants from the Priority Tenant List and/or those tenants that require specialist accommodation due to disability, and the housing provider is unable to obtain the required level of subsidy.

In our view, in order to achieve a mix of tenant types, many of these likely requiring additional subsidies to be made available to Affordable Housing providers over time, we recommend adopting an Affordable Housing target based on the 50% discount models. As described on page 21, for both Sites with medium land values, by applying a 50% discount:

- Generally, up to 4% AH is likely to be feasible on both a Total or Residential GFA basis,
- 6% AH may be feasible on both a Total or Residential GFA basis;
- Generally, 8% AH may be feasible on both a Total or Residential GFA basis, however 8% AH is unlikely to be feasible on a Total GFA basis for Site 2.

At a 50% discount, based on a medium land value scenario, the analysis suggests that a 4% percentage of Affordable Housing is likely to be feasible in most scenarios tested. A 6% percentage for the Residential GFA basis is likely to represent the upper limits of feasibility at the date of feasibility (July 2020).

A 6% target provides for a mixture of results, with higher valuer sites likely to be feasible and lower value sites unlikely to be feasible. The VPA could consider adopting a 6% target if an optimistic or aspirational medium-term view of the market factors which impact feasibility will improve over time and/or developer innovation occurs.

As the focus of this study has been to provide an evidence base upon which to formulate the affordable housing strategy going forward, we recommend further investigations into creating some flexibility within the controls. This will be particularly relevant for ‘lower’ or ‘higher’ value sites, where the sensitivity analysis demonstrated that ‘lower’ value sites have a significantly reduced capacity (if at all) to provide a portion of AH, while ‘higher’ value sites have a significantly enhanced capacity. We also note that there is typically a positive correlation between allowable density and higher site values.

This flexibility could also consider circumstances following a defined process, for example if no Housing Providers are able to contribute equity to a particular site or no Government subsidy is available. In this instance, a developer may be able to apply to provide AH units at a 100% discount (gifted) however at half the rate of the above potential target range of 4-6%, so 2-3%.

Based on the Phase 1 report and that contained in Table 3.5. The total expected dwellings in Arden is 7,000, of which 4,550 are to be constructed on private land (65%). Based on the 50% discount and AH target range of 4-6% within this table, this means the private sector may be able to contribute 182 to 273 affordable dwellings with a mix of tenant types across the precinct. This is based on a high-level analysis of the

precinct; more work is required to directly compare this to the Total GFA and Residential GFA approaches adopted in the feasibility study.

This range may not be met if the tenant types dictate AH is to be provided at 100% discount or there are no Housing Providers able to contribute equity to a particular site or no Government subsidy is available.

This report has been prepared to provide evidence of impact of different affordable housing provision on project viability under the following scenarios. In our recommended pathway to prepare an Affordable Housing Strategy, this fits in as follows:

- City of Melbourne Housing Strategy – sets need and objectives.
- Urbis Background Research, Stakeholder Consultation and Broad Options Paper –explored range of global options and current Victorian context and theoretical way in which Government Affordable Housing objectives could be met in Arden.
- Feasibility Testing of hypothetical development options as recommended from stakeholder engagement (this report)
- Feasibility testing of development of public land –being pursued separately by VPA (beyond this research)
- Engagement with Development Industry including peak bodies (beyond this research)

In preparing this report, we have tested a range of feasibilities following feedback from stakeholders including community housing providers, government; in particular the VPA. The report has highlighted the challenge in achieving uniform feasibility across the different sites and contexts in the Precinct.

Where feasibility is less than likely, the VPA in making decisions about Affordable Housing provisions will need to weigh up the trade-offs at stake and determine the extent to which Affordable Housing is the priority amid all the other objectives of the precinct:

- Highly variable feasibility could generate greater risk of challenge from developers and a slower pace of development in the precinct and therefore reduced housing/affordable housing outcomes.
- A need to manoeuvre on other inputs such as density or other development contributions to secure a feasible outcome for the precinct.

Therefore, in making decisions on affordable housing provision the VPA needs to decide whether to hold out for innovation from the development community at higher levels and risk slower pace of development in the precinct; or whether to put forward a provision that is more likely to be feasible. In the analysis of this many sites in these circumstances, this has indicated greater probability of challenge above 4% at 50% and 6% at 35%.”

5.2. STEPS TO COMPLETE THE AFFORDABLE HOUSING STRATEGY

The delivery of affordable housing at Arden is both needed and can be feasible within the context of Melbourne and Victoria. The extent to which delivery can meet overarching targets for 6% on private land and 15% over State & City of Melbourne land continues to evolve with the new funding announcements as well as variability on a site by site basis.

Feasibility testing on private land has highlighted the constraints that become apparent beyond an allocation of 6% affordable housing given the current planning controls and market conditions that impact upon Arden. Equally the precedents that have been set around Melbourne do not typically reach beyond this mark for similar reasons. This can work (although not uniformly) in achieving the primary target of 6% delivery on private land, however it falls well short of what is desired over State & City of Melbourne held land.

In moving towards the development of an affordable housing strategy that is likely to meet both targets for the precinct, there should be continued engagement around the following:

- *Run feasibility testing on public land, testing the viability and potential for mechanisms discussed in this paper:* This may include the potential for long term peppercorn lease arrangements, innovative valuations through value capture over zone changes, and enforced delivery via inclusionary zoning, that would rely on long-run equilibrium of values. It is understood that preliminary work into this has already begun.
- *Engage Government stakeholders and investigate how to incorporate last year's Ministerial Advisory Recommendations and the emerging opportunities to bring in the recently announced State budget funding for social and affordable housing:* The recent Victorian 2020/21 Budget announced a significant allocation of \$5.3 Billion worth of funding towards the development of social and affordable housing in Victoria. Looking at ways of leveraging this at Arden could assist in increasing the feasibility of higher levels of affordable housing delivery. Further engagement is required to understand whether the additional grant funding available to community housing providers/partners increases the level of feasibility at different levels of discount.
- *Investigate the capacity for dynamism within controls whilst remaining predictable:* Throughout the above research, findings have highlighted the variability of different properties regarding development capacity and 'wriggle' room to include affordable housing. Equally developers have stressed the importance of consistency and ample notification of controls such that any requirement can be input into early cash flows and valuations. Dynamic controls that are led by key indicators that impact lending capacity, construction costs or consumer demand, updated on a consistent basis, could be a way of ensuring delivery whilst being cognisant of industry constraints. The Big Build streamlined Planning process would be expected to assist on projects funded by the Victorian Big Build programme and early indications are that this will focus on speed, as opposed to changing the character of the local planning scheme.
- *Further engagement with industry bodies:* Engagement from not only CHIA Vic and Homes Victoria but also UDIA and PCA to provide a wider perspective from industry on deliverable models that can be unlocked more quickly with private sector engagement. This is especially the case given there is not yet a one size fits all process in place for the Big Build engagement with developers.

Over the course of this report, we have seen the level of change that can occur within and to the housing system. The feasibility analysis shows that affordable housing can be delivered on private land but that there is a clear tradeoff between volume and level of discount. It will be important to establish clear priorities between government agencies as to which will be more important in supporting a vibrant diverse community in Arden and achieving development outcomes within a rapid timeframe.

The emerging stimulus in the State Budget offers a reinvigorated engagement opportunity to align these priorities by leveraging State sponsorship of social and affordable housing including on government land. It also offers opportunities for greater collaboration with industry and the community housing sector to incorporate additional growth funding and fast-tracked planning outcomes on both government and private land.

Irrespective of the private land opportunity, the precedent examples around the world and the emerging government funding focus in Victoria, demonstrate that the step change in delivery to meet elevated targets will likely be facilitated by government land, which will be important in setting expectations for the entire precinct.

DISCLAIMER

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ATTACHMENT 1

LITERATURE REVIEW & DESKTOP RESEARCH



ARDEN SOCIAL AND AFFORDABLE HOUSING

Literature Review and Desktop Research

Prepared for Victorian Planning Authority
December 2019

SUMMARY

This section seeks to review literature on the subject of social and affordable housing strategies in order to find the optimal mechanism or group of mechanisms to test within the Arden Urban Renewal Precinct.

This will assist to inform a solution that is both the most likely to succeed and is feasible for private developers whom will be producing housing in the precinct.

Methodology:

Following a review of the recommendations outlined in the SGS City of Melbourne Housing Needs Analysis and an interrogation of notable housing strategies overseas, it sets out the key mechanisms for delivering affordable housing in terms of:

1. What it is.
2. Where it has been used or suggested.
3. How it may possibly be implemented.
4. What are the potential benefits.
5. What are the potential drawbacks.
6. What would be the variables in the financial feasibility modelling.
7. A short viability statement for Arden.

This is fronted by a look at what the key take outs are from the research and how they could be intertwined to create a more layered solution to the challenge of social and affordable housing provisioning.

For point of reference, the appendices detail the research completed for each of the regions outlined in the project scope, as well as a short section on alternative models.

SCOPING DEFINITIONS

Affordable Housing (as per the Act)

Affordable housing is formally defined as follows:

"For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following:

- very low income households;
- low income households;
- (c) moderate income households..

For the purposes of determining what is appropriate for the housing needs of very low-income households, low income households and moderate income households, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.

Matters specified by the Minister by notice under subsection (2) cannot include price ranges or prices for the purchase or rent of housing."

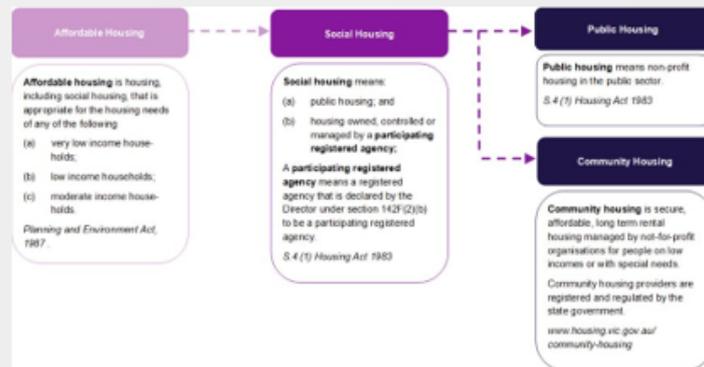
Differentiation within this text:

1. Affordable Housing

Housing provided at a discount to market rent to households that meet eligibility criteria for Social Housing or income brackets as defined by the Planning and Environment Act. To maintain its charitable taxation status, a Housing Agency must offer a minimum 25% discount on rent.

2. Social Housing

Rental housing that is owned or managed by the State Government (public housing) or a Registered Housing Agency (community housing). Government published Social Housing income eligibility and asset threshold requirements set eligibility, with households registered on the Victorian Housing Register.



Source: Affordable Development Outcomes (Kate Breen)

KEY INSIGHTS

1. **Inclusionary Zoning will bring about social and affordable housing, although it must be alongside sufficient concessions, incentives and/or a period of transition for current land owners.** The mandatory nature of inclusionary zoning will instantly reduce the underlying value of the land and this gap will need to be compensated either through planning assistance (as observed in Toronto), adequate density bonuses, direct funding or otherwise. In this way the proportion / percentage assigned to the inclusionary zoning mechanism will need to match the capacity to compensate.
2. **Public land is a valuable asset if held through Community Land Trusts as it removes the significant financial barriers to entry for social and affordable housing provider.** Public land is also exempt from land tax and could assist in the development of affordable Build to Rent housing by removing the large costs involved with land purchase and financing (see Public Housing Renewal Program in Melbourne and Communities Plus in Sydney). Alternatively, methods of transferring land to Community Housing Providers at a value that factors in the intended use of the site rather than the highest and best use would further improve the feasibility of social or affordable development in Arden.
3. **Voluntary incentives on their own are generally not sufficient to bring about social or affordable housing.** These should be supplementary controls as added bonuses to stock above what is mandatory.
4. **Value capture mechanisms rely upon the value not already being factored into purchase prices.** Speculation on property value uplift will and has been occurring around the inner city and particularly through inner industrial regions for quite some time, which may have reduced the actual value uplift that a scheme change will create (such as what has been observed in West Melbourne).
5. **The benefits of Community Housing providers as charitable bodies should be utilised to further affordable outcomes.** Community Housing providers have access to additional Commonwealth Rent Assistance and don't have to pay GST on purchasing and management costs of new housing. They can also access the Social Housing Growth fund to receive "low cost loans and government guarantees" (D.H.H.S, 2019)

AFFORDABLE HOUSING MECHANISMS

Inclusionary Zoning

Definition	Inclusionary Zoning mandates provision of affordable housing through an overlay on the site. This can be done through direct provision and construction of social or affordable housing stock, or via a cash-in-lieu payment that will go towards social or affordable housing elsewhere.
Examples	Refer to the Appendices' investigation of Inclusionary zoning in Toronto, Ontario.
Implementation	<p>Although observed in some states around Australia, it is currently not possible to implement inclusionary / mandatory zoning in Victoria. It would need to be enforceable through a schedule to a development contributions overlay or created as its own overlay.</p> <p>In Sydney, the "Greater Sydney Region plan" outlines an Affordable Rental Housing Target Scheme for increasing the supply of affordable housing in the region. It allows for affordable housing provision based upon the value that will be captured by the rezoning (hence differs case by case). Some further specifications include targeting of specifically very low- and low-income earners, only applying to urban renewal precincts, and is flexible dependant on the region's determined need for housing.</p> <p>In Toronto, Inclusionary Zoning was applied across the city in 2019, applying to development above 140 units and increasing in impact in specified areas of particularly strong market demand (e.g. downtown). As there are developments already in the pipeline that meet these criteria, the City of Toronto established a series of transitional measures that would compensate developments in the immediate pipeline or currently moving through the planning system whom purchased their sites at a price that didn't account for any mandatory outlay of affordable units. These are detailed further in the appendix on Toronto.</p>
Benefits	<p>Inclusionary Zoning is mandatory so ensures provisioning occurs in one way or another as opposed to voluntary incentives or section 173 agreements that can be appealed. In the same way this will create greater transparency in the financial modelling and pre-site acquisition stage for developers such that they can be certain on how much they can pay for the land.</p> <p>Increases affordable housing supply without necessarily having to subsidise or directly develop through government funding.</p>
Drawbacks	<p>Will impact land values so needs to have an adequate transition period and / or arrangement to not disadvantage current landowners. Equally, if not paired with a density bonus or other policy-based incentives, it may lead to developers increasing the market rental prices to offset the affordable costs and maintain desired returns. It could alternatively mean that if there are a series of imposts, the highest and best use for the land may be for alternative uses, reducing the volume or lengthening the time it takes to deliver homes.</p> <p>Inclusionary zoning that is localised to one area instead of city wide may disadvantage that locality relative to surrounding areas and impact supply.</p> <p>It is difficult to put inclusionary zoning measures that both cover the need for affordable housing and allow for adequate financial returns for a developer. Further, without constraints on the definition of affordable housing or social housing in this specific instance, developers will likely aim for moderate income earners (that have a higher capacity to afford) over those most in need as they can charge the highest possible rents whilst remaining within the what is defined as affordable.</p> <p>We understand this could be challenging to achieve within the current state planning provisions.</p>
Modelling Variables	<p>Separating a proportion of the units out at a reduced rate or as sold at a reduced rate.</p> <p>Must be done on a case study basis to determine the different effects of different rates and could be tested alongside other measures / incentives in a sensitivity analysis.</p>
Viability	Inclusionary Zoning is viable in its current form with some changes to state planning legislation. Its effectiveness however will be increased by combining with other incentives such as density bonus, accelerated planning and/or direct subsidies (at least at the beginning) to offset the relative regulatory disadvantage that would be created between Arden and surrounding suburbs. It also has the capacity to elicit production across both social and affordable housing if matched with a schedule that mandated a split of housing across different income levels or housing typologies (e.g. half community housing, half below market rentals).

AFFORDABLE HOUSING MECHANISMS

Community Land Trust or Land Rent Scheme

Definition	Within this mechanism, the Government or a registered community housing provider holds the rights to the land and gives out (e.g. 99-year) leases for buildings on top of the land to either a developer, housing provider or the residents themselves finance construction of a building on top of the land. This reduces the upfront costs by removing the land purchase and instead paying rent for the right to develop and / or occupy the fixtures on land.
Examples	Refer to Appendices' on Vancouver (VAHA modular housing), and alternative mechanisms on CLT's and on Land Rent Scheme in ACT
Implementation	<p>Whilst this form of ownership works well internationally in places such as the US & UK, the definition of property ownership in Australia ["interest in land and fixtures upon the land"] makes it difficult to separate the ownership of land from the ownership of the built form on top of the land. There are a few innovative methods of enabling this typology, however, such as Company Title which allows for a company to own a building whilst occupants purchase bundles of 'shares' that equate to rights to a unit, within which further restrictions and ownership rights can be outlined in a company constitution.</p> <p>If held as public land / under a crown lease the maximum lease term in Victoria is 21 years and lease terms proposed beyond this must be referred to the minister for planning to assess. These will be accepted if the minister believes the lease will be of public interest, the development is substantial enough to warrant a longer term, and / or the lease is not detrimental to the surrounding environment. Crown leases in general are to be considered if the proposed use of the site will bring about economic, community, environmental, and / or governmental continuity purposes, most of which affordable and social housing look to achieve.</p>
Benefits	<p>Takes away the land purchase or heavily reduces the land purchase, which is one of the main costs that impact the Net Present Value & Internal Rate of Return in financial feasibility modelling.</p> <p>Creates more affordable dwellings by exchanging reduced ownership rights without impacting the value of the land itself. In this way there could be innovative arrangements where land is held under C.L.T for a short amount of time before reverting to market. This as occurred in places such as Germany with <i>Sozial Wohnung</i> [see appendices' alternative mechanisms] and incentivises the regular maintenance of buildings with this future uplift in mind.</p> <p>Holding public land allows for complete control over the use and development of the site, as well as secures community benefits into the future. It is also worth noting that purchasing back equal stocks of land will always come at a greater price to what it can be sold at as land values are always rising, particularly quickly in the City of Melbourne.</p>
Drawbacks	<p>In scenarios where residents are buying into a company title or otherwise purchasing a section of the building / the rights to live there over the period of tenure they are essentially buying into a depreciating asset thus completely removing themselves from financial uplift from the property, making it difficult to move.</p> <p>Financially and legally it is quite difficult to replicate the success observed in overseas and interstate examples within the Victoria. ACT for example has only no freehold title, only 99-year crown leases, so lenders are used to lending to leasehold title owners. Pursuant to this, crown leases can hold a purpose clause that outlines exactly what can be built on the site from size through to breakdown by industry. Overseas, CLT works with lenders (particularly the Netherlands, France and Germany) as they are more used to lending on backed upon securities outside of property as the rental and generational property markets are so much more prevalent.</p>
Modelling Variables	Removing the land purchase and instead have rent over time (ACT had this at 2% of the land value)
Viability	There is an opportunity to test this kind of development across the council owned land, which could be held or transferred to community housing providers. Community housing providers also receive a suite of benefits that would improve the feasibility of the project including GST concessions and access to Commonwealth Rent Assistance for residents that could assist in providing affordable or social units. On top of this land, innovative housing models such as what is offered at Assemble (5 years rent and then decide if want to purchase at a set rate of inflation), modular/temporary housing (that could be removed after a certain amount of time for market housing) and / or build to rent.

AFFORDABLE HOUSING MECHANISMS

Value Capture

Definition	Within areas of urban renewal, infrastructure upgrade or where otherwise government has directly improved the underlying land value of a precinct, policy has been implemented to capture this value uplift and direct it to social or affordable housing provision (see West Melbourne). Conceptually it builds on principles of Henry George, and similarly the inception of Canberra, in that uplift in land value that is not directly inflicted by the landowner, should not be passed onto the landowner.
Examples	Refer to Appendices' City of Melbourne Investigation.
Implementation	This is enforced via an amendment to the Section 173 agreement in the local planning scheme that may for example add a requirement to specific zone schedules, stipulating minimum affordable housing requirements for permitted development (see Altona North Strategy and the amendment CBB). Section 173's, however, rely upon agreement by both the landowner and the council and as such many developments have disputed the agreement, contested at a state level and appealed the agreement successfully (see Panorama in Box Hill and the downgrading of the affordable housing provisioning in Altona North from 10% to 5%).
Benefits	Will supply a moderate to high amount of affordable housing given there is value to capture and given affordable housing controls are enough to capture the entire value uplift as it is a binding contract, in theory, so doesn't rely upon voluntary arrangements to produce social or affordable housing. Allows for somewhat flexible negotiations and contextual responses to different areas. Has been enabled around Melbourne in multiple locations already with amendments of the respective council's planning scheme
Drawbacks	As an agreement between two parties, the capacity to disagree and appeal at VCAT has led to cases of overturning or significant reductions in provisioning. It seeks to capture the value add of a renewal precinct, which doesn't necessarily correlate to the actual need. It is difficult to control pre-uplift speculation on land in an urban renewal precinct. In areas such as West Melbourne, speculative purchasers have already factored in value additions onto the land and affordable housing provisioning has become ineffective. This creates another line of appeal for developers if the controls are framed around false value uplift. Note: Despite speculation inherently being a risk / shouldn't legally entitle a land-owner to compensation if, it does impact the extent to which a land-owner will be willing to develop at all and may delay any development on site until underlying land values reach their speculated value (plus development margin) which should be considered.
Modelling Variables	Separating a proportion of the units out at a reduced rate or as sold at a reduced rate. Checking the actual value captured against the provision requirement.
Viability	Has been shown to work in Greenfield developments where speculation isn't as high, but in an area such as Arden this method will need to be assessed against what the actual value uplift will be relative to what has been paid for sites to ensure there will be adequate value to capture. Arden is also in a good position to utilize this over the state held land as this will certainly not have any risk of speculation attached and the true use value can be captured entirely.

AFFORDABLE HOUSING MECHANISMS

Voluntary Incentives

Definition	This encompasses any voluntary policy or strategic direction set out by council to encourage the supply of social or affordable housing. This could be part of a structure plan that indicates desire for increased affordable housing to a density bonus scheme that increases the floor area ratio of a development in exchange for cash in lieu or social/affordable provision.
Examples	Refer to Appendices' City of Melbourne, Sydney, Vancouver and the UK
Implementation	This has already been done in many instances as a voluntary agreement that holds a proportion of all new development across the neighbourhood to affordable and / or social housing. It can also be simply a goal as part of a strategy or structure plan. Density bonuses are one method of achieving this; allowing developer increased floor space in return for a specified proportion of affordable or social housing or cash in lieu funding affordable or social housing development. It is best utilised in areas where market demand will be strong, and the cost of added construction will be sufficiently offset by the end selling price. It could similarly be utilised to offset the financial imposition of mandatory affordable housing (i.e. inclusionary zoning) and ensure development doesn't slow down. Equally it may allow for higher inclusionary zoning requirements to be put in place. Other voluntary incentives include improved planning timeframes (see next slide), fee waivers such as removing permit or inspection fees, reductions in the level of parking required, or removal of taxes, all of which look to reduce the cost base for the developer.
Benefits	Appeals to developers as is voluntary. is relatively easy to produce by local councils as a policy response. Allows for more flexible negotiations and contextual responses to individual developments. Stimulates affordable units or funding of affordable units without capital outflow by the government.
Drawbacks	The voluntary nature of many of these policies has led to no movement in the sector, particularly in Melbourne and Sydney. is difficult to create a policy that incentivises affordable housing to the extent that needs are met and equally it would be difficult to create an incentive that both supplies social or affordable housing and doesn't overcompensate a developer.
Modelling Variables	Density Bonus: With and without added floor ratio uplift
Viability	Would be most effective if played out alongside mandatory controls as either a transitional mechanism or an incentive on top of what must be done. It is unlikely that voluntary incentives will be taken up if there is no base level contribution (see Rayner et. Al on Negotiation Theory in Property)

AFFORDABLE HOUSING MECHANISMS

Planning Priority

Definition	Offering the removal of processes within, or prioritizing the assessment of, a development as an incentive to provide social or affordable housing provisions.
Examples	Refer to Appendices' alternative mechanisms for further information on the policy and also the transition section of the Toronto, Ontario Investigation.
Implementation	Priority planning could occur via policy changes but changes regarding the removal of certain processes such as third-party appeal rights would require state or national intervention; this has happened before. In the wake of the GFC, Third Party Appeal rights were removed for developments that included social housing in Australia. There was also no lower limit on the amount of social housing required within the development, although "it [was] important that projects are not overly dependant on sales into the market" (David Hodge, Victorian State Government). Ontario has also used this mechanism to reduce the impact incurred by the addition of inclusionary zoning.
Benefits	<p>Within a development cash flow, "Fast tracking of the planning approval process create[s] the most valuable incentive" (PWC, 2019) for increasing the feasibility with affordable housing provisioning as it significantly reduces the front-end costs in a financial feasibility assessment. It also improves the demand to develop as a developer will have a shorter period between inception and knowing whether they will be able to go ahead with the development.</p> <p>Removing third party appeal rights has been done before and shown to work – between 2009 – 2012 the removal of TPOAR produced 19,700 social housing units across Australia.</p>
Drawbacks	<p>It is potentially difficult to enable priority planning in reality, as planning permit assessments take the time they do so that adequate attention to detail has been ensured and to maintain a democratic process in the development industry. Further, if planning priority was allowed it would disadvantage those not developing affordable housing and extend their planning period by proxy.</p> <p>Equally, adding the capacity for priority planning may increase demand for affordable housing development to a point that there can be no priority as there are so many 'priority' projects.</p> <p>The process of removing rights of appeal would also be difficult in many scenarios, as it involves removing a fundamental right of citizens within the affected location. Further, removing rights of appeal would most certainly assist in this way by reducing the amount of red tape involved however it doesn't necessarily reduce the planning time frame if the development doesn't fit within the scheme.</p>
Modelling Variables	Reducing the pre-construction / planning timeframe.
Viability	Speeding up the planning process is viable in the Arden-Macauley Precinct due to the high proportion of government land and Arden's stature as an Urban Renewal Precinct. This is certainly a factor that would improve the feasibility for developers although the changes that would bring the greatest benefit (ie. Rights removal) would be the most difficult to bring into effect. TPOAR removal could potentially be used on the sites in the center of Arden where there are no existing neighboring sites and thus no ground for third party appeal.

AFFORDABLE HOUSING MECHANISMS

Build to Rent

Definition	Build to Rent is an emerging asset class where entire buildings are developed to be held and rented out instead of sold. This sector is increasingly popular in the US and UK, particularly with long-term low yield investors such as superannuation funds.
Examples	Refer to Appendices' look at the United Kingdom and alternative mechanisms.
Implementation	It is entirely possible and underway within Australia already, although is limited in its reach down the housing continuum due to unbalanced taxation applying to long term rental / investment capital gains relative to build to sell. In other words, there are higher costs involved in holding a property long term than there are to sell and to counter this the product must be higher value (i.e. the product that is coming to market is typically market or above market housing that sufficiently offsets capital gains and land tax considerations.). Affordable BTR will require either structural changes in taxation and regulation at a state or national level or paired with direct or indirect financial incentives at a local government level.
Benefits	<p>Privatised development so allows for limited outright funding requirements for the government</p> <p>Interest in the sector is increasing exponentially with over 6,500 units completed, under construction or in planning over the year to September 2019, double the amount observed in the year to Q3 2018. The sector can thus improve affordability on a wider scale by increasing overall supply of dwellings, as well as directly supply affordable units.</p> <p>Has the potential to reach multiple sectors along the housing continuum with adequate incentives, regulations and / or taxation changes.</p>
Drawbacks	<p>Largely owned and operated by investment firms that have a legal obligation to return profits to investors, thus seek to maximise profits. If the development is a mix of market and below market rentals, this may be inflicted two-fold on the market rental units to make up for the affordable ones. To counteract this there could be controls on rental increases / reversion of affordable units to market that stipulate temporal restrictions on rental increases.</p> <p>Challenges with having two different managers within the building (if incorporating community housing)</p> <p>High taxation on BTR assets relative to Build to Sell although this may change in future.</p>
Modelling Variables	Investigating the effect of each benefit that community housing providers allow (land tax, CRA, etc) in improving the feasibility.
Viability	Affordable BTR can be made feasible through the variety of tax exemptions that are provided to community housing providers, "As charitable bodies, community housing organisations also benefit from land tax, stamp duty and GST taxation concessions." (Victorian Parliament, 2019), which are some of the greatest barriers to entry for BTR, particularly land tax. Residents also can receive Commonwealth Rent Assistance in Community Housing. Equally there would be cross benefits of BTR combined with CLT or crown leases as the land purchase price is removed from the cash flow. City Futures in Sydney estimated that a reduction in land costs would be by far the greatest means of improving the feasibility of affordable BTR.

APPENDICES

NOTABLE STRATEGIC HOUSING INTERVENTIONS



APPENDIX A

CITY OF MELBOURNE

Key Policy Direction & Documents	<p>Homes for People 2014-2018 was the most recent housing strategy for the City of Melbourne, with a new strategy in planning for 2020 focussing on affordable housing. It places a focus on the rapidly increasing Melbourne population and supply of houses needs to be able to meet this demand.</p> <p>Development Bonuses to incentivise through the planning scheme, Design standards for apartments, 15% provision on council land</p> <p>Public Housing Renewal Program is replacing 'old' public housing stock with a renovated 'social mix' or private, social and affordable housing.</p> <p>Social Housing Growth Fund (Homes for Victorians, 2017) is using the interest from a \$1 billion investment fund to provide social housing across the state (estimated at \$70 million a year), of which 9% or 250 dwellings over 20 years is expected to be in the City of Melbourne</p>
Powers Used to Enact Affordable Housing	<p>Section 173 agreements: "a voluntary agreement between the responsible authority and a landowner to deliver affordable housing as a part of new developments"; for percentage concessions</p> <p>Fast Track Government Land Service is being used to find surplus government land for affordable and social housing provision.</p> <p>Amendment C276: Floor area uplift in the Hoddle grid and Southbank if an applicant supplies open space, communal area, commercial office space, competitive design OR social housing</p> <p>Amendment C309: 6% affordable housing provision within the West Melbourne Structure Plan</p> <p>Amendment C221: West Melbourne waterfront requested a rezoning of its land to allow for commercial and residential uses. Within this, a development plan overlay was developed which "allows the potential to increase the maximum building height of 10 storeys up to 14 storeys if 15 per cent of the additional four storeys includes affordable housing"</p> <p>¹See also Amendment C05, Section 173 agreement in Altona North, Hobson's Bay Council for 6% affordable (26% below market) housing</p>
Actual Outcomes	<p>Better Apartment Design Standards were introduced</p> <p>Six per cent affordable housing is proposed for new development in West Melbourne & Fisherman's Bend</p> <p>Goal was to provide at least 1,721 homes by 2024 and this is not going to be met</p> <p>*Commitment to considering including up to 15 per cent of dwellings being made as a affordable to registered Affordable Housing Providers on Council Land*</p> <p>Inclusionary zoning pilot is being developed in Parkville although the confidentiality of it means that the provision of dwellings is unknown</p> <p>Amendments: No affordable or social housing built as yet</p>
What the Critics Said	<p>One major critique of section 173 agreements (and associated uses of these in the City of Melbourne) is that it is voluntary, so developers are not going to (mostly) incorporate affordable or social housing as it doesn't maximise financial returns (Rayner et al, 2019). This is based on negotiation theory; stakeholder interests - stakeholder demands and/or positioning is motivated by the motivations and interests that they have, in this way affordable housing is typically considered as a governmental responsibility and developers are not motivated to supply it; Mutual Gains - inconsistent gains across council areas will not necessarily bring more affordable housing to those with higher rates, rather will de-motivate developers from looking to that council area and instead develop where there is more leniency. Having universal, mandatory requirements will reverse this; Access to Knowledge - "knowledge is power", developers have a greater comprehension of the financial feasibility assumptions that go into development decisions relative to planners, which "creates opportunity for exploitation".</p> <p>The Public Housing Renewal Program has been criticised for applying assumptions that benefit or are derived from developers rather than actual needs (linking into the above "knowledge is power"). The mix of private and social housing [70:30] was found to not carry any substance from a needs perspective but rather was complementary to the financial compensation required for a private developer to create a feasible development. It also inversely reduces "Public Housing" stock to 0, as all housing will either be social (run by a housing provider) or private, and further reduces the amount of land in Melbourne that is government owned. Further assumptions that went unsubstantiated was that of ensuring a divide of social and private tenants as there will otherwise be an impact upon demand & value, which has been proven not necessarily true (see Rayner et al, 2018 and Nguyen, 2005)</p> <p>An alternative view was offered by AHURI, 2017: "The physical decline and financial constraints around public housing has resulted in an increase in transfers of public housing from state and territory governments to community housing providers (CHPs), particularly since 2007 (Pawson, Martin et al. 2016). The objective is to help the sector grow through increasing their asset base and, perhaps more importantly, strengthening the cash flows necessary to service debt funding. Transfer of titles allow CHPs to use the cash flow as leverage against which they can borrow finance, enabling the growth of the sector and its ability to deliver a greater number of affordable housing options"</p>

APPENDIX A

SYDNEY

Key Policy Direction & Documents	<p>NSW offered a 'density bonus' in 2009 to developers to include affordable housing in return for greater floorspace capacity</p> <p>"A Voluntary Planning Agreement "... is an agreement entered into by a planning authority and a developer" (NSW Govt 2017b). Under this agreement a developer can agree to fund affordable housing, which can be made through "the dedication of land, monetary contributions, construction of infrastructure [and] provision of materials for public benefit and/or use" (NSW Govt 2017b). The CoS [City of Sydney] uses such planning agreements "... to negotiate affordable housing provision through major developments" (CoS 2015a, p 9). " UTS, 2017</p> <p>Selling council land at a subsidised rate to community housing providers</p> <p>The Greater Sydney Region Plan allows for consideration of inclusionary zoning in an urban renewal precinct with the following conditions:</p> <ol style="list-style-type: none"> 1. Targeting towards very low and low income (<80% area median income) 2. Only apply to up-zoning of precincts (urban renewal) 3. Only applies to rental tenures 4. Allows for flexible rates across Sydney, dependant on a needs assessment compiled by the relevant council area 5. Related to above, each area will be subject to viability testing for inclusionary zoning 6. Fees in lieu can be considered but aren't explicitly detailed 7. Developers must hand over units at no cost to the community housing provider / qualified rental operator 8. Is combined with Sec70 agreements (like section 173) that can provide added incentives or bonuses for affordable housing increases
Powers Used to Enact Affordable Housing	<p>Providing floor space incentives for developments which contain affordable housing through the planning mechanism of the State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP)</p> <p>Facilitating other incentives for developments which contain affordable housing via mechanisms such as negotiated planning agreements</p> <p>Offering financial and other incentives, in partnership with the Commonwealth Government, to build and rent new properties at below market rents via National Rental Affordability Scheme (NRAS)</p> <p>Making grants available to assist construction of new, self-contained boarding house supply via the Boarding House Financial Assistance Program (BHFAP – New supply)</p> <p>Making grants available for fire safety upgrades to boarding houses, via the Boarding House Financial Assistance Program (BHFAP – Fire safety)</p> <p>Encouraging partnerships between CHPs and others, including private developers, on affordable housing projects.</p> <p>Through State Environmental Planning Policy No 70 – Affordable Housing (SEPP 70), the state government promotes the delivery of affordable housing by allowing councils to collect development contributions.</p>
Actual Outcomes	<p>Communities Plus (7 major sites and 22 Neighbourhood Projects) E.g. Ivanhoe is a major site example which involves transforming 259 social housing properties on a 8.2 hectare site into a socially integrated neighbourhood of around 3000 to 3500 properties including over 950 social and 128 affordable rental apartments</p> <p>The density bonus returned just 1,287 affordable properties according to AHURI, increasing affordable supply by <1%. Only four councils actually included agreements within their schemes.</p> <p>NRAS is being removed so everyone who is getting by on this incentive will be moved up to market rent (once their 10 years has finished)</p>
What the Critics Said	<p>Communities Plus: "experts say the program is largely about replacing existing stock by regenerating current social housing estates to add value, and then capturing that value to fund the replacement of existing social housing"</p> <p>Density Bonus: "Our study has shown that you don't get a lot of affordable housing when you're relying just on voluntary incentives mechanisms." Nicole Gurrin (AHURI); "It's a voluntary agreement, so what some of our providers have said ... is that to get a project over the line, some developers – and they won't be the well-known developers – will sign an agreement with a community housing provider, and the community housing provider will say they will manage it when it is built... That's the last they ever hear of it. Who knows how many of those things happen, but it is voluntary and there is no compliance regime." Wendy Hayhurst, NSW Federation of Housing Associations</p>

APPENDIX A

PERTH

Key Policy Direction & Documents	<p>The Metropolitan Redevelopment Authority and the WA Affordable Housing Action Plan guide most of the actions in Perth.</p> <p>An objective of the Affordable Housing Strategy 2010 – 2020 "Government land and housing agencies to dedicate minimum 15% of land project yields to affordable land and housing", for which the private sector will be engaged to develop. As referred to in the Cockburn Gateway Affordable Housing Strategy "Research did not find a single example of affordable housing delivery that did not rely upon a Public Private Partnership".</p> <p>The Metropolitan Redevelopment Authority (MRA) has a policy (DP9) that proposes that 12% of all new residential dwellings in developments of over ten dwellings should be affordable. The affordable housing can be shared equity or social housing but to date have all been shared equity. The developer sells the affordable housing to the State Government (generally the Housing Authority) at construction cost according to an agreed cost chart and the Housing Authority then sells a share of the (market) value of the dwelling to an income restricted eligible buyer to recoup their cost outlay. Dwellings are retained as affordable in perpetuity through a restrictive covenant on title and through partial State ownership." (Shelter, 2018). The MRA also has investigated:</p> <ul style="list-style-type: none"> - "Leverag[ing] METRONET [new train system / stations] precincts and government roles for social and affordable housing outcomes" - "Government land and housing development agencies will dedicate a minimum of 15% of project yields to affordable price points." (Hassell, 2018) - Alternative tenures - "Establishing a private rental brokerage scheme and a not-for-dividend housing company" (AHURI, 2017)
Powers Used to Enact Affordable Housing	<p>Keystart home loans: in effect since 1989, Keystart offers loans at 2% minimum deposit [instead of from 5% at other lenders] and with no Lenders Mortgage Insurance. It also allows for Shared Equity home loans.</p> <p>The housing and jobs package as part of METRONET is said to be producing 1,390 homes over four years, 300 of which will be social housing and 400 at 'entry level prices'.</p> <p>"In WA, under the SharedStart shared ownership program, purchasers can buy newly built or off the-plan dwellings, in both metropolitan and regional locations, which are offered by the Housing Authority (Housing Authority 2016c). The Housing Authority will retain up to 30 per cent of the ownership of the dwelling, and has used a large procurement program to build or purchase dwellings which gives them the discretion to ensure that the dwellings remain affordable." (AHURI, 2017)</p>
Actual Outcomes	<p>We're proud that the Strategy achieved the original target in June 2015 and assisted so many people. Through smart partnerships across the government, private sector and not-for-profit sectors, the Government provided 20,000 new housing opportunities for nearly 50,000 people all along the housing continuum, throughout Western Australia." Well on way to reaching 35,000 homes for low and moderate incomes after adjusting to 30,000 in 2017.</p> <p>"The Keystart program was introduced in 1989 and since its inception has enabled around 98,000 people to achieve home ownership with 88 per cent of these loans for first home buyers (Housing Authority 2016a)." (AHURI, 2017)</p> <p>"NRAS delivered over 10 per cent of the total [10% of 20,000 dwellings] and the SHI provided a large proportion of the new social rental dwellings, emphasising the importance of Federal Government funding in helping to deliver the 20,000 target. Only a small proportion of the overall total resulted from joint ventures with the private sector" (AHURI, 2017)</p>
What the Critics Said	<p>Perth has seen remarkable uplift in affordable housing provisioning over the ten years to today with two upward revisions on targets due to reaching the previous targets early. The success is in part due to the partial inclusionary zoning observed in METRONET and MRA redevelopment sites but mainly is due to the Keystart homeowners that amounted to half of the 20,000 affordable dwelling target. In this way 10,000 of the affordable target was not new additions but purchases made with the Keystart loan, technically not adding to the affordable housing supply. Other methods that increased affordability was rental bond assistance and partnerships with the private sector that produced 12,000 lots [to 2017], "a majority of which were well below the local median price" (AHURI, 2017). This shows that although innovative mechanisms are important, existing policy may be underutilised in many states and just require a strategy [such as the WA Affordable Action Plan] to increase awareness of their capabilities; "The strategy shifted the community conversation from a focus on public housing to an understanding of affordable housing along a continuum and it introduced the conversation into the public domain, raising awareness of the issues." (AHURI, 2017)</p>

VANCOUVER – HOUSING STRATEGY

Key Policy Direction & Documents	<p>Vancouver's housing and homelessness strategy has looked to increase the diversity of housing options for Vancouver residents, and reduce the level of homelessness. It is in light of rapidly increasing unaffordability in the city, largely a fault of international investment.</p> <p>1% Empty Homes Tax [counteracting the problem]</p> <p>Short term rental regulations</p> <p>VAHA: Liasing with the City of Vancouver to provide modular housing on council land [community land trust] largely to house the homeless</p> <p>Rental 100: Various planning incentives to increase the supply of rental housing</p> <p>Density Bonuses for adding rental housing into commercial zones</p>
Powers Used to Enact Affordable Housing	<p>Federal Affordable Housing Innovation Fund and National Housing Investment Corporation</p> <p>Affordable Housing Interim Rezoning Policy allows those with single, low density zoned lots to upgrade to medium or high density if provide 100% rental housing at a rate deemed affordable by council [more of a supply initiative than necessarily providing affordable housing]</p>
Actual Outcomes	<p>Using the funds from the Empty Homes Tax, some allocation was made towards affordable and crisis housing</p> <p>Federal Investment: The Canadian Government created an Affordable Housing Innovation Fund that gives money to innovative financed and / or designed developments. This flowed through to as motivation for provincial governments, as BC Housing established a national Housing Investment Corporation [B.C., Ontario & Manitoba States] that provides "low interest and fixed rate 30 year mortgages exclusively to non-profit housing providers, as well as specialised expertise in affordable housing development and management" (Whitzman, 2018)</p> <p>There have been efforts to collateralise and bundle co-operative and non-profit developments</p> <p>VAHA: 2,288 modular homes in development, 600 completed in 2018 [Target 2,500 by 2021]</p> <p>Density Bonuses are yet to be introduced</p> <p>"At the 2017 midway point of 10 year targets, Vancouver had surpassed its market rental target by 41% (over 7,000 new market rental dwellings, due to strong interest from private developers in Rental 100), and had achieved 59% of 10 year targets for social and supportive housing (5,000 and 4,000 units respectively) in five years" (Whitzman, 2018)</p>
What the Critics Said	<p>Incentives for rental housing created almost 9,000 rental units over a decade (BIV, 2018) but have not necessarily provided affordable housing. Many are just making larger profits with the incentives.</p> <p>"I'll begin with a question: Do you think \$66 million spent to build 605 units of temporary modular housing in Vancouver is good value for the money?" (Vancouver Courier, 2019)</p>

ONTARIO - INCLUSIONARY ZONING 2019/20

Inclusionary Zoning Guidelines	<p>"Inclusionary zoning would apply to projects of 100 units or more in the Downtown area or east and west of Downtown, and to projects of 140 units or more in all other areas of the city... [and] would apply only in strong and moderate market areas</p> <p>Inclusionary zoning will assist low and moderate income households, roughly the 30th to the 60th percentile of income. This translates to between \$35,000 and \$67,000 per year for renters, and \$42,500 and \$87,500 per year for owners.</p> <p>Requirements for condominium projects would be 20% of units in strong market areas and 10% of units in moderate market areas that must be affordable. Requirements for rental projects would be 5% of units in strong market areas and 2.5% of units in moderate market areas that must be affordable.</p> <p>Affordable housing units would remain affordable for a period of 25 years." (Urban Toronto, 2019)</p>
Powers Used to Enact Affordable Housing	<p>"The City's background financial impact analysis and proposed policy directions for Inclusionary Zoning were developed prior to the introduction of Bill 108 in the provincial legislature in May 2019. Bill 108 made changes to the Planning Act that limit where municipalities can implement Inclusionary Zoning to either Protected Major Transit Station Areas (PMTSA) or areas where a Development Permit System has been ordered by the Minister. Previously under Bill 7 (the Promoting Affordable Housing Act, 2016), municipalities were able to determine the areas where inclusionary zoning would apply." (State of Ontario, 2019)</p> <p>"Following changes to the Planning Act that came into effect in April 2018, municipalities in Ontario were granted the ability to implement inclusionary zoning, which currently does not exist in Canada." (Urban Toronto, 2019)</p>
Transition Arrangements	<p>As the law would sweep across many precincts, Ontario set up regulations for improved planning times and reduced third party appeal rights to newly affected projects.</p> <p>ONTARIO REGULATION 296/19</p> <p>"- Expanding the grounds of appeal of a decision on an official plan/amendment or zoning by-law/amendment and allowing the Local Planning Appeal Tribunal to make any land use planning decision the municipality or approval authority could have made applies to:</p> <ul style="list-style-type: none"> appealed decisions in respect of which a hearing on the merits has not yet been scheduled by the Local Planning Appeal Tribunal <p>- Expanding the grounds of appeal on a lack of decision on an official plan/amendment or zoning by-law amendment and allowing the Local Planning Appeal Tribunal to make any land use planning decision the municipality or approval authority could have made applies to:</p> <ul style="list-style-type: none"> applications appealed for the failure of an approval authority or municipality to make a decision within the legislated timeline in respect of which a hearing on the merits has not yet been scheduled by the Local Planning Appeal Tribunal <p>- The removal of appeals other than by key participants (e.g., the province, municipality, applicant) and the reduction of approval authority decision timelines for non-decisions of official plans/amendments applies immediately when the changes came into force (i.e., September 3, 2019, as specified by proclamation).</p> <p>- The removal of appeal rights other than by key participants (e.g., the province, municipality, applicant, utility companies, etc.) for draft plan of subdivision approvals, conditions of draft plan of subdivision approvals or changes to those conditions applies where:</p> <p>the notice of the decision to draft approve or change conditions is given, or</p> <ul style="list-style-type: none"> conditions are appealed other than at the time of draft approval on or after the day the changes came into force (e.g., appeals made during appeal periods that begin after the changes came into force on September 3, 2019, as specified by proclamation) <p>- The reduction for decision timelines on applications for official plan amendments (120 days), zoning by-law amendments (90 days, except where concurrent with official plan amendment for some proposal) and plans of subdivision (120 days) applies to complete applications submitted after Royal Assent." (State of Ontario, 2019)</p>
What the Critics Said	<p>"- That it doesn't go far enough: "Most IZ [Inclusionary Zoning] policies require somewhere between 10 and 30 percent of new units to be rented or sold at "affordable" rates (generally defined as a price point at which total monthly housing costs do not exceed 30 percent of median household income in the area). The Ontario proposal not only doesn't require that, it prohibits cities from mandating affordable rates for more than 5 percent of units built in low-density areas; in higher-density areas, the cap is 10 percent." (CityLab, 2018)</p> <p>They are also not allowed on rental properties, and are allowed to go back to market within 30 years. This is in comparison to terms overseas that push for 10 - 30 per cent affordable housing over 99 year leases [eg. UK]. Further, "If Ontario cities want to implement inclusionary zoning, they will be required to reimburse developers for 40 percent of their lost profits." (CityLab, 2018)"</p>

UNITED KINGDOM – BUILD TO RENT

Key Policy Direction & Documents	<p>UK separates itself from Australia and Canada in its high supply of social housing and high expectations for affordable housing provision; "around 18% of households in England and 24% of housing in Scotland [are] in the social housing sector in 2011 compared with only 5% in Greater Sydney" (Community Housing Industry Association). Further provisioning is largely focussed within emerging housing models such as BTR to maintain this proportion and align these emerging sectors with established planning controls. The high level of social housing also means that Private Rentals have been relatively uncommon but are now increasing in proportion.</p> <p>Other Affordable Housing Policies:</p> <p>Housing Benefit: Welfare payment for housing, similar to Rent Assist</p> <p>Shared ownership is provided through a housing association, where an eligible person can buy a share of their home (between 25% and 75%) and pay rent on the rest. To be eligible, the household must earn £80,000 a year or less (or £90,000 a year or less in London), and be a first-time buyer, a former home owner, but cannot afford to buy one now, or an existing shared owner. Local eligibility such as employment criteria sometimes applies." (Community Housing NSW)</p>
Powers Used to Enact Affordable Housing	<p>Section 106 Agreements: "203. Local planning authorities should consider whether otherwise unacceptable development could be made acceptable through the use of conditions or planning obligations. Planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition." (NPPF). Similar to section 173 agreements in Melbourne, these can cover many charges or enforced provisions from affordable housing to road works.</p> <p>For Build to Rent, these agreements in regards to infrastructure contributions were waived, as well as a host of other subsidies such as "lower tax rates paid on BTR investments, the loss of tax relief on so-called buy-to-let mortgage interest and penalties on vacant properties, designed to discourage private investment in dwellings, which the Financial Times reports has nearly halved to 10 per cent of all home purchases from 18.7 per cent in 2011..." (The Financial Review, 2019).</p> <p>Private/Public Partnerships with community housing providers by many councils</p>
Actual Outcomes	<p>Has boosted the supply of private rentals and enabled counter cyclical property development; "The push has worked. The country now has almost 30,000 complete build-to-rent dwellings and another 110,000 under construction or in planning said Mr Leahy, a member of the peak industry body British Property Federation's residential committee." (The Financial Review, 2019).</p> <p>Councils have adopted I.R.R's closely aligned to private developments when handing out their loans, which has reduced the positive impact (Sammon, 2019)</p>
What the Critics Said	<p>Section 106 agreements have sometimes been exploited by legal firms and developers to provide cash in lieu instead of direct affordable provisioning. This cash has reportedly not always found its way back to affordable housing.</p>

ALTERNATIVE MECHANISMS

	What is?	Implication	Enabling
Land Rent Scheme - ACT Government Affordable Housing Action Plan	<p>"Under the scheme, people who purchase a single-dwelling residential block (previously unleased land) from the Suburban Land Agency can apply for their Crown lease to be a land rent lease. For potential lessees, choosing this option means reducing the up-front costs associated with owning a home. Lessees don't need to finance the cost of the land; they need to finance only the costs associated with the transfer of the land (such as duty) and the construction of the home... As of 1 October 2013, the Government restricts those who can access the Land Rent Scheme to low- to moderate-income households that are eligible for the discount land rent rate of 2 per cent (on a 99 year lease). The standard 4 per cent land rent rate is no longer available to new entrants to the scheme." (ACT Government, n.d.)</p>	<p>"The 3200 participating households in Canberra have saved \$89 million on housing costs since its inception in 2008." (The Age, 2019)</p> <p>"But Land Rent has been dogged by problems and has needed constant fine-tuning to deter abuse by shrewd investors or builders. A spokesman for Economic Development Minister Andrew Barr said the changes would further strengthen the integrity of the scheme. "The new eligibility criteria will restrict the scheme to low- to moderate-income households," he said. The 4 per cent rate, which had no income eligibility criteria, will no longer be available to new entrants to the scheme." (The Canberra Times, 2014)</p>	<p>Land Development Agency: Land release, land rent scheme and land for CHC [Community Housing Providers]</p> <p>ACT Planning and Land Authority: Amending the Territory Plan to enable the small lot subdivisions, advising the LDA on land supply targets</p> <p>ACT Housing: Transfer of public housing title to CHC, various public housing reforms" (AHURI, 2017)</p>
Subsidised Key Worker Housing - NT	<p>"The Northern Territory Government has invested \$9.1 million to provide affordable rental accommodation for employees in key service industries, including tourism, hospitality, education, and health workers (Northern Territory Government 2016). Tenants must meet eligibility criteria based on household income. Under this program, the government leases privately-owned dwellings and rents them to the key workers at 30 per cent below market rates" (AHURI, 2017)</p>	<p>"There are currently 340 dwellings for low-to-middle-income key workers across the Northern Territory (2017)" AHURI, 2017</p>	<p>Was enabled through government funding of \$9.1 million, which is used to head lease private rentals and then sub-leased to key workers</p>
Planning Priority- Various	<p>"Local councils could supercharge the supply of affordable rental housing by cutting approval times on projects and creating savings that would allow developers to sell cut-price stock to investors... Developers who saved money on the shorter approval time – which in Victoria can take up to two years – could sell a number of homes in a given development at lower price at no net loss. They could be bought and sold freely, but with a requirement – from an encumbrance placed on the title –to be leased at a fixed discount to the prevailing market rate." (AFR; PWC, 2019)</p> <p>Funding was staged to be introduced in 2009 and 2010 before being slowly removed over the next two years (was always going to be repealed). They allocated a total of \$5.238 billion over the three and a half years with another \$400 million going to maintenance and repairs of existing stock. They also suggested the following reforms:</p> <ul style="list-style-type: none"> • Removing stamp duties • Streamlining land taxation to remove disincentives to property investment • Moving to a more neutral tax treatment of negative gearing and capital gains on investment in residential property • Reviewing infrastructure charges to remove impediments to housing development activity, and • Refining RA and increasing its maximum rate to ensure that renters are able to afford an adequate standard of dwelling. 	<p>PWC undertook modelling on the other three incentives and one combined incentive:</p> <ul style="list-style-type: none"> - Fast tracking planning approval - Combining fast tracking and reduced car parking - Reduced car parking on its own and - Waiving Council rates <p>Fast tracking of the planning approval process created the most valuable incentive. This comprised providing a planning decision in three months (typically six months). This would be possible where planning controls do not offer third party notification and appeal rights, such as current arrangements fisherman's Bend. For Councils interested in considering this incentive, this would require the preparation of a Council operating framework as a guide to the planning process, and identification of the resourcing implications to provide a fast-track capacity." (PWC, 2019)</p>	<p>Prioritising affordable housing projects over others would be the primary enabler, or increasingly the leniency to which decisions are weighed up. It is noted that, like building a new road, may increase the quantity of applications to the extent that no one can be prioritised.</p>

ALTERNATIVE MECHANISMS

	What is?	Implication	Enabling
Community Land Trust - The Netherlands, UK & USA	<p>"The premise of the CLT is, again, radically simple. The trust owns the land, residents own the buildings. Legally it is a "tenancy in common" between the home owner and the not-for-profit CLT entity. Or the CLT can provide land through 99-year leases with all the trappings of home ownership such as the opportunity to build, renovate, bequeath, or keep pets. When a CLT resident builds a home, they finance only the construction. When a CLT resident sells a home, they sell only the building and cannot make a capital gain on the value of the land. Capital gains to the land remain with the trust, and the taxpayer subsidy (i.e. the land) is retained in perpetuity." (The Age, 2019)</p>	<p>"Many of the homes compulsorily acquired by the Linking Melbourne Authority (to make way for the defunct East-West link) are ideal candidates. The homes previously occupied by protesters on Bendigo Street, Colingwood; the Evo Apartments in Parkville; the old Home Hardware site on Alexandra Parade, Clifton Hill. Melbourne University researchers identified 255 suitable sites held by public agencies with the potential to host up to 30,000 homes. In the UK, there are now over 290 CLTs, half of which formed in the last two years. The largest US CLT has grown to 2000 homes thanks to its patiently expanding capital base." (The Age, 2019)</p>	<p>"Ownership' as conceived in property law in the Western legal tradition focuses on enclosure and the right to exclude others...Models such as commons and community land trusts represent different understandings of property that focus more on the social dimensions of ownership than on profit maximisation" (The University of Western Sydney, 2013) There's currently no way to separate land and property from a deed of warrant in Australia.</p> <p>"Leasing provisions in the Crown Land (Reserves) Act 1978 are used to authorise a wide range of leases for commercial and non-commercial purposes on reserved crown land...Granting exclusive occupation of Crown land under a lease should not occur, except where it can be justified there are benefits to the community from the lease. Leasing should support the development of healthy communities and, where appropriate, promote investment and encourage innovation. Both future and present needs and opportunities should be considered. Benefits may be short or long term; direct or indirect. Government policy and programs provide a guide in determining community benefits. Applications to lease. Crown land will be assessed by land managers on their merits and an assessment will be made of potential benefits and burdens." (Reserves Victoria)</p>
Alternative Housing Models - Germany, Denmark	<p>"Sozial Wohnung – social dwellings – are social housing units within private housing developments in Germany. The rent is limited to affordable levels (about 50 per cent of market rent) for usually 20 years, after which it reverts to the market, giving building owners incentive to properly maintain the properties. Australia could do this now with inclusionary zoning." (Kate Shaw, The Age, 2019)</p> <p>"Baugruppe – German-developed building groups – are where residents pool their resources to build their own apartment buildings, not unlike the Nightingale model in Melbourne, again usually self-financed under more flexible lending systems. Australian governments could facilitate low-interest loans to designated self-build enterprises." (Kate Shaw, The Age, 2019)</p>	<p>Both increase the supply of affordable housing, one for rental properties and one for purchasers (mainly) although it is difficult to quantify the exact impact as they have been around for quite a while.</p>	<p>As mentioned by Kate Shaw, a <i>Sozial Wohnung</i> approach could be enabled through inclusionary zoning whilst <i>Baugruppe</i> would require an government or not for profit financier to enable. The latter also requires motivation from the community / residents to be involved in such a project, and as thus there may be a difference in effectiveness within the Australian cultural landscape compared with Germany.</p>
Alternative Housing Models - Vienna [Austria]	<p>"Today around two thirds of Viennese residents live in such publicly-owned apartments, based on a cost-rental approach, which links rents to incomes. This cuts the link between price and market values and insulates the city from property market extremes." (The Irish Times, 2019) There are also rent controls set on private rental housing to stop hyper speculation and maintain rents at affordable levels.</p>	<p>62% of the Vienna population now lives in public housing [more than 80% rent] and the city has been ranked as the world's most liveable for the past two years.</p>	<p>"In the Austrian capital, more than 60 per cent of residents live in 440,000 social homes, about half owned directly by the municipal government and the rest by state-subsidised, not-for-profit co-operatives." (New Statesman, 2019) is mainly funded through government subsidies and direct government investment; "Vienna spends more than €570m a year on subsidising, constructing and preserving public housing" (The Guardian, 2017)</p>