



URBANXCHANGE

Social and Affordable Housing Report

November 2022

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1 EXECUTIVE SUMMARY

Urbanxchange Pty Ltd and BMDA Development Advisory Pty Ltd ('BMDA') have been engaged by the Victorian Planning Authority (VPA) to undertake an analysis and make recommendations as to how Social and Affordable Housing could be facilitated within the Melton East Precinct as a part of the planning scheme amendment.

The purpose of this report is to outline the requirement for social and affordable Housing and recommend an affordable housing target for the Melton East PSP. This report is part of a wider review of the strategic planning controls of the Melton East PSP area led by the VPA in consultation with Melton Council.

The Victorian Government report *Homes for Victorians*, June 2018, provides a clear definition of affordable housing:

Affordable Housing is housing that is appropriate for the needs of a range of very low to moderate income households, and priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs.

This report uses this definition and it is recommended that VPA also adopt it in its dealings with the Melton East planning amendment, State Government and Melton Council.

The City of Melton's affordable housing position is formed through:

- *Melton City 2041 – The City We Create*
- *Council Wellbeing Plan 2021 – 2025*
- *Housing Diversity Strategy 2014.*

Affordable housing in Melton

Melton is no longer affordable for anyone on a very low income, nor for singles on any income level.

Indeed, the 2021 census data show that more than 50 per cent of households in Melton would have qualified for affordable housing under the current Governor in Council Orders.

| | Very low Income | | Low income | | Moderate Income | |
|--------|-----------------|------|------------|------|-----------------|------|
| | Buy | Rent | Buy | Rent | Buy | Rent |
| Single | X | X | X | X | X | X |
| Couple | X | X | X | ✓ | X | ✓ |
| Family | X | X | X | X | ✓ | ✓ |

Multiple groups require affordable housing:

- First-time buyers
- The older poor
- Singles and young people
- Lone parents
- Key workers
- Low-income workers
- Welfare recipients, including those with a disability.

The demand for Social and Affordable Housing in Melton has been calculated at 9.7 per cent (section 7.5). However, the need for this housing must be balanced against commercial considerations and the cost of development.

There are a number of models for affordable housing, as follows:

Restricted purchase – price-controlled housing that is made available for purchase by those on defined incomes. The discount for affordable housing for the first purchaser is preserved for future purchasers.

Shared equity – the essential feature of all shared equity models is that the buyer shares the capital cost of purchasing a home with an equity partner, thereby permitting households to buy homes with lower income levels than would otherwise be required.

Affordable rental via Build to Rent – developers, including Housing Associations and their financiers build dwellings and, instead of selling them, retain them to let to tenant households. Rents are at an appropriate discount to market rents.

Rent to buy – the homes are offered at a reduced rent for a minimum of five years and let on assured short-hold tenancies for a fixed term. The model being adapted in Australia is that, after five years of renting, the tenant has first option to purchase the dwelling at the price agreed at the commencement of the five years.

Social housing – this is housing owned by a state government or by a Registered Housing Agency.

National Disability Insurance Scheme (NDIS)/Specialist Disability Housing (SDA) – this is housing that is provided for a person receiving NDIS support. SDA providers are registered and subject to Government oversight.

Cash Contribution – in lieu of physical dwellings, the opportunity to provide the equivalent contribution in cash that can then be put towards the delivery of social housing elsewhere in Melton.

The variety of housing models should be considered against the income groups as follows:

Table 1 - Application of housing models to income groups

| Type | Very Low Income | Low Income | Moderate Income |
|---------------------|-----------------|------------|-----------------|
| Affordable Purchase | | | ✓ |
| Shared Equity | | | ✓ |
| Build to Rent | | ✓ | ✓ |
| Rent to Buy | | | ✓ |
| Social Housing | ✓ | ✓ | |

Key aspects to consider in facilitating affordable housing outcomes are:

- The contribution is clearly equalised across the variety of housing tenures meaning there must be a clear mechanism to develop a calculable value of worth for the affordable housing contribution
- Different tenure types will have different requirements for contribution. It will be incumbent upon Council to ensure that the full amount of calculable value is contributed
- Tenure types can only be pursued if there is a commercial basis and model to do so; this is particularly relevant to the shared equity and rent to buy models.

Potential planning scheme mechanisms include:

- A PSP guideline that planning permits and subdivision permits include a condition requiring landowners to contribute the desired rate of affordable housing or provide a cash in lieu contribution
- A similar requirement on buildings and works permits where the subdivision requirement has not already been carried out

- A provision that may require calculation of how the contribution to the affordable housing target could be met
- Providing opportunities in the amendment for landowners to negotiate provision of affordable housing beyond the identified target in exchange for development bonuses.

The issue then is *how* the affordable housing outcomes are achieved.

Consideration needs to be given to:

- Providing a staged and steady supply of land in the municipality for new housing
- Providing Social and Affordable Housing that is targeted at identified areas of need
- Maintaining housing assets within the municipality over the long term and increasing the amount of the social housing provided by Housing Associations
- Ensuring the quality of urban design and housing outcomes (both during development and ongoing management).

To support the desired outcomes, Urbanxchange has:

- Reviewed and analysed policy and strategy development
- Considered the management of risk and equity
- Considered accountability and monitoring
- Engaged with stakeholders.

It is on this basis that the recommended inclusion in the PSP is:

The agreement must provide for an Affordable Housing Contribution defined as:

1) 10 per cent of dwellings provided by provision of dwellings at a 25 per cent discount of the current average annual price of a three bedroom house within Melton to a registered housing provider;

or

2) Translation of the value that would otherwise be provided by the landowner under option (1), to:

i) Provision of land or dwellings at nil consideration to a registered housing agency;

ii) Provision of land or dwellings at a discount to market value to a registered housing agency;

iii) Long-term leasing of dwellings to eligible households at a discount to market rent,

iv) Purchasing of dwellings to eligible households at a discount to market rent on long term covenant;

v) The equivalent cash contribution to a recognised trust for the provision of affordable housing in the City of Melton; and/or

vi) Any other model as agreed by the responsible authority.

If option 2 is pursued:

- *The value of the Affordable Housing Contribution is to be calculated by reference to the dwellings that are agreed to be [transferred at nil consideration or sold at a discount] as agreed with a registered housing agency, or the median value of a new home in Melton for the preceding 12 months as published by the Victorian Valuer General; and*
- *The term of use and discount is to be determined with regards to the Net Present Value of the Contribution and the number of dwellings to be facilitated.*

The Section 173 Agreement should subsequently set out further details including:

- Dwelling mix;
- Term of use;
- Timeframes for delivering the obligation;
- How the delivery model will result in dwellings that are appropriate for eligible households with regards to each of the matters under the Act.

2 INTRODUCTION

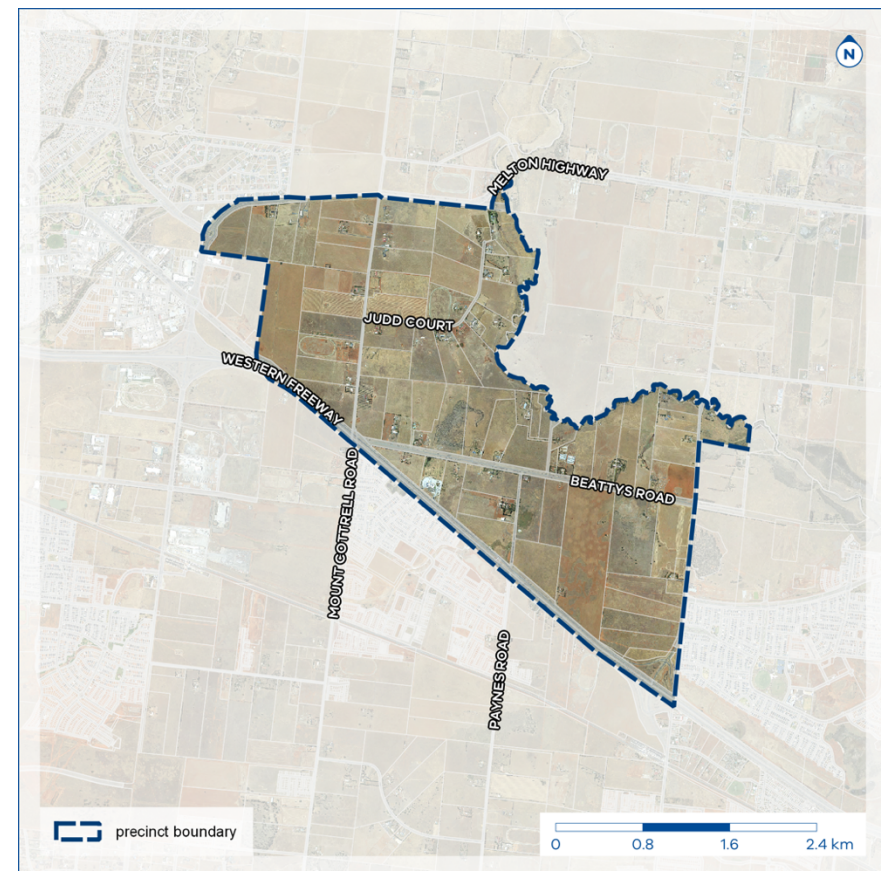
2.1 PURPOSE OF THIS REPORT

The Social and Affordable Housing Report is part of a wider review of the strategic planning controls of the Melton East PSP area led by the VPA in consultation with Melton Council. The Melton East PSP area is shown below in Figure 1.

The site is 1005 hectares and 35km northwest of the Melbourne CBD. It is envisaged that the development of Melton East will create 11,000 lots and 1,500-2,000 jobs, projecting to a future population of 34,100. It is proposed that two neighbourhood activity centres and two local convenience centres, including an employment precinct, future community facilities and schools, surrounding public transport network (including Tarletons Road as future PPTN), and open space provision will be delivered as a part of the development of Melton East.

The purpose of this report is to outline the requirement for Social and Affordable Housing and recommend for an affordable housing target within the Melton East PSP.

Figure 1 - The area of the Melton East PSP

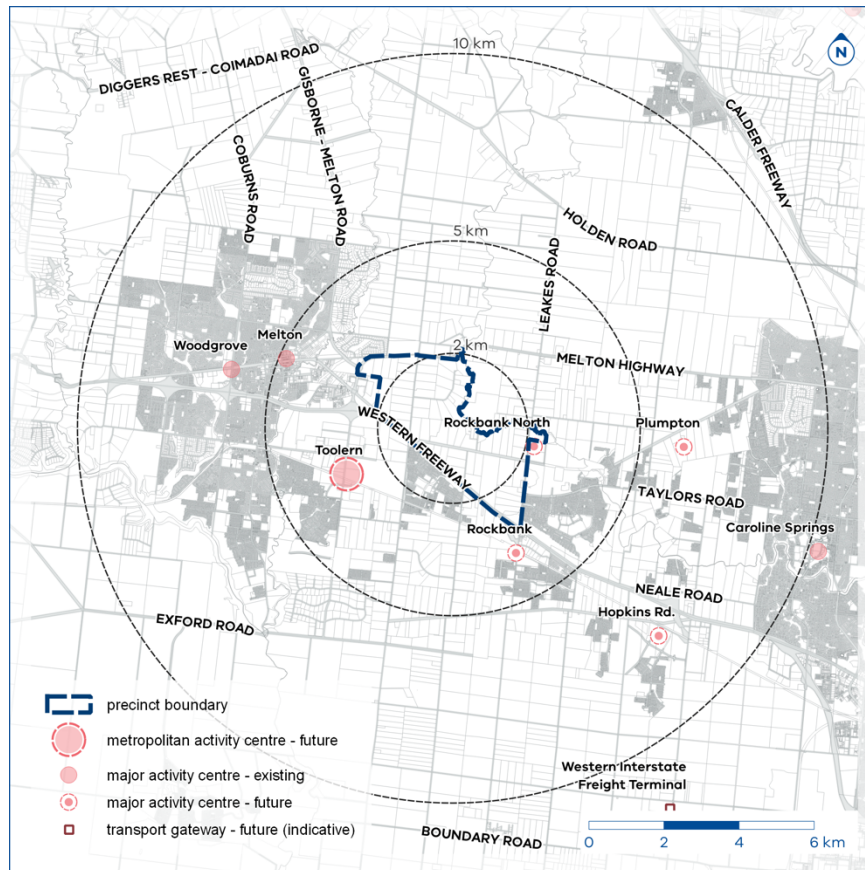


2.2 MELTON EAST PSP CONTEXT

Melton East was identified as a tier 2 project within the Melbourne Growth Corridors Program. The site is 35km northwest of the Melbourne CBD and 30 – 40mins by V/Line train or 40-50mins by car. It is 4.5km east of the Melton township.

Its strategic context within the northwest corridor is outlined below.

Figure 2 strategic context of location in the northwest corridor



The site is located near a number of ‘state significant employment areas’, including the western interstate freight terminal and within close proximity to existing and future employment areas (commercial and industrial).

The social infrastructure proposed for Melton East is:

- 1 x government secondary school
- 4 x government primary schools
- 2 x non-government primary school
- 2 x Level 2 community centres
- 2 x Level 1 community centres

2.3 PSP 2.0 CONTEXT

The Melton East PSP is part of the VPA precinct structure planning program. The Social and Affordable Housing report is a part of the plan preparation of the Place-based Plan and Co-design process that identifies and resolves matters through stakeholder engagement.

3 AFFORDABLE HOUSING

3.1 WHAT IS AFFORDABLE HOUSING

The Victorian Government policy *Homes for Victorians* provides a clear definition of affordable housing:

Affordable Housing is housing that is appropriate for the needs of a range of very low to moderate income households, and priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs.

The *Homes for Victorians* policy also provides the following definitions of public, community and social housing:

Public Housing

Housing owned and managed by the Director of Housing. The Government provides public housing to eligible disadvantaged Victorians including those unemployed, on low incomes, with a disability, with a mental illness or at risk of homelessness.

Community Housing

Housing owned or managed by community housing agencies for low income people, including those eligible for public housing. Community housing agencies are regulated by the Government.

Social Housing

Social housing is an umbrella term that includes both public housing and community housing. Its provision usually involves some degree of subsidy.

Section 3AA of the *Victorian Planning and Environment Act 1987* essentially adopts the *Homes for Victorians*' definition of affordable housing, as follows:

(1) 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—

- (a) very low income households;*
- (b) low income households;*
- (c) moderate income households.*

(2) 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.

The current Victorian Legislative framework does not define key workers; it only defines affordable housing. This report defines a key worker as:

An employee who provides a vital service, especially in the essential services, health, or education sectors.

In the study area, this includes:

- Providers of services to residents – e.g. teachers, doctors, nurses, healthcare workers, pharmacists, council staff
- Providers of services to visitors – e.g. hospitality, retail,
- Workers in key local industries.

In 2018, the *Planning and Environment Act* (the Act) was amended to include a new Objective to “facilitate the provision of affordable housing in Victoria” and to include a definition of affordable housing (as described in section 3.1 of this report).

These amendments to the Act also included changes to clarify that responsible authorities can enter into voluntary Section 173 agreements with developers for the provision of affordable housing.

The affordable housing framework established under these reforms also introduces two new instruments and a range of support, guidance and educational material.

The first instrument is the specification of the income levels associated with very low, low and moderate income households for affordable housing that is not social housing. A Governor in Council Order setting out these income levels has been published and will be updated annually in the Government Gazette (refer to Table 3 for the current rates)¹.

The second instrument is the Ministerial Notice relating to the specified matters referred to in Clause 3AA(2), which lists the following as “matters to which regard must be had for the purposes of determining what is appropriate for the housing needs of very low, low and moderate income households:

- *Allocation*
- *Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)*
- *Longevity (in terms of the public benefit of the provision)*
- *Tenure*
- *Type of housing, in terms of form and quality*
- *Location, in terms of site location and proximity to amenities, employment and transport*
- *Integration, in terms of the physical build and local community*
- *The following official estimates of housing need:*
 - *Australian Bureau of Statistics Community Profiles*
 - *Census profiles for Victoria*
 - *Department of Health and Human Services Rental Report*
 - *Metropolitan regional housing plans to guide housing growth*

- *Public housing waiting list (Victorian Housing Register list)*
- *Victoria in Future data tables.*

3.2 WHAT ARE THE TYPES OF AFFORDABLE HOUSING

Housing models that can improve affordability in Melton are:

Affordable purchase. This is a form of price-controlled purchase housing that is accessible to purchase by those on defined incomes. So far, only South Australia has fully recognised this model as a mechanism for providing affordable housing. The key principles of affordable purchase models are:

- The dwelling must be offered for sale at or below a nominated ‘affordable’ price
- The dwelling must be offered for sale to eligible buyers
- The discount for affordable housing for the first purchaser is preserved for future purchasers.

In Victoria, The Nightingale housing model has a transparent process for documenting land purchase and development costs and the purchase price is based on the development achieving a return of 15 per cent.

The price of housing in the Nightingale model is not always ‘affordable’ as defined for example under Victorian Government’s definition (although some of the projects under this model do have an explicit affordable housing component). However, it is delivering ‘high value for money’ housing by reallocating the cost-savings associated with removing items such as car parking, marketing costs, etc. into other design and building features. However, the principles of price control for the first and subsequent purchasers is established.

Under this model there is a system of controlling purchase price as well as mechanisms to prevent the first purchaser having a windfall gain at the expense of future owners. Title covenants have been developed that provide a formula for the

¹ Note that this is different to the income limits set for social housing set by the Director of Housing, which are published at www.housing.vic.gov.au.

resale of the property. The model recognises capital growth for each progressive purchaser/seller and it also recognises that the market opportunity provided to the first purchaser should be transferred.

Shared equity. Where more than one party share the capital cost of purchasing a home. Typically, this model refers to intending home purchasers agree with government-backed and private sector-led schemes to share the cost of purchasing a property. This reduces the homeowner’s up-front and loan servicing costs. Should the property be sold, each party receives their proportion of the sale based on how much each contributed to the purchase price.

Affordable rental via build to rent. Developers (including Housing Associations) and their financiers build multi-unit buildings and, instead of selling the units, retain them to let to tenant households. Rents may be set at market rent or, for affordable and social housing, at an appropriate discount to market rents. The NRAS was a build to rent model.

Rent to buy. Homes are offered at a fixed (sometimes below market) rent for a minimum of five years and let on assured short-hold tenancies for a fixed term. The model being adapted in Australia is that, after five years of renting, the tenant has first option to purchase the dwelling at price agreed at the commencement of the 5 years. If the tenants don’t want to buy, the landlord can retain the property as rented housing or sell it on the open market.

Social housing. This is owned by a state government or by a community housing organisation. Community housing organisations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or State housing regulators. Housing Associations and Providers are independent companies that are overseen by a skills-based board.

Tier 1 Housing Associations are seen by government as organisations that:

- Own, manage and develop affordable rental housing
- Provide housing support and assistance to clients
- Are viable businesses, partnering with government and the community
- Have met registration criteria and meet ongoing regulatory compliance against performance standards.

NDIS/SDA. SDA Housing for NDIS participants has three elements: housing, planning and support. All three elements are required for a successful outcome. There is a clear delineation of responsibility with the NDIA being responsible for the SDA and the relevant state governments/agencies responsible for the balance, being support and planning.

Cash Contribution. In some circumstances, the provision of a contribution may be appropriate, including where there are multiple land holders that are not of significant size as to deliver meaningful outcomes. Any contribution should be phrased in such a way as to define what the contribution is addressing, that is affordable housing. The whole contribution should be either provided directly to a Registered Housing Agency or placed in a trust and redirected to a social housing project within the municipality.

3.3 WHO REQUIRES THE AFFORDABLE HOUSING

There is a variety of affordable housing delivery models available to meet the housing needs of different income groups, as conceptually illustrated in Figure 3 below. The level of government subsidy associated with each model is proportional to the income band and, therefore, the capacity of the household to pay market rent or a mortgage.

The models identified in Figure 4 provide a simple conceptual framework for considering the relationship between income groups, tenure types and the relative level of subsidy (government or via an affordable housing contribution from developers or philanthropists) that might be needed for each model to be applied.

3.4 WHY IS AFFORDABLE HOUSING REQUIRED

Plan Melbourne recognises the policy drive for the provision of Social and Affordable Housing, section 2.3 notes:

For Melbourne to remain liveable for all its citizens, the supply of social and affordable housing needs to be increased. A range of housing types need to be developed within suburbs across Melbourne—not just in outer areas—to improve local affordability for homeowners and renters.

Cities and towns provide a multitude of services and opportunities to their residents, and the most fundamental of these are access to adequate housing and employment. A diverse range of dwelling types, tenures and price points distributed across the towns is essential to ensure that all parts of the community can access housing that is appropriate to their needs and affordable within their household income.

Shortages of affordable housing (including affordable rental housing) act as a constraint on economic growth and can prevent lower income households from fully participating in economic and social opportunities. This can occur when people are priced out of living in the local community and are forced to choose

between commuting long distances to jobs, or potentially foregoing work altogether if they cannot obtain a local job.

Lower income households that are unable to purchase their own dwelling are faced with either accessing public housing or renting privately. The supply of public housing units across Victoria is unlikely to significantly increase (despite the 12,000 dwellings being delivered via the Big Housing Build) in the foreseeable future and will continue to be allocated to the households with the very highest levels of disadvantage. However, as our population continues to increase, and the disparity in growth between housing prices and wages endures, the number of lower income households (including many key worker households) unable to access affordable and suitable housing is forecast to continue to rise.

Analysis of current Valuer General of Victoria’s median home sale price data for the City of Melton shows that only families on moderate incomes are able to affordably purchase a dwelling while covering basic living costs, and only in the most affordable parts of the municipality. Victorian Government data on rentals within the City of Melton demonstrates that very low income earners, without assistance, cannot afford to live in Melton. Opportunities for singles only exist if the person is at the top of the moderate income earners. Opportunities for low income couples and families are limited to units. Only moderate income families have an opportunity to rent a dwelling in Melton without entering housing stress.

The Homes Victoria, Victorian Housing Register, as at 30 June 2022, had 1468 households requiring social housing in Melton.

The need currently exists for the delivery of dwellings that meet both the affordable and social housing requirements of the community in the City of Melton.

The Precinct Structure Planning (PSP) Guidelines note that in any PSP matters, consideration must be given to Social and Affordable Housing.

The demand for Social and Affordable Housing for Melton has been calculated at 9.7 per cent (section 7.5).

This is verified by the Community Housing Industry Association, with the University of NSW, December 2022, report *Quantifying Australia’s unmet housing need* nominates the unmet need in the west of Melbourne as 9.4 per cent.

The affordable housing is required to meet the needs of those identified by the Governor in Council Orders (GIC Orders). Section 7.4 of this report details the capacity to purchase affordably in the City of Melton; by contrast it also identifies the need for housing.

The table below identifies that access to affordable housing for those on GIC Order incomes is not possible for almost all households excluding those families on moderate incomes.

Table 2 – Able to afford market housing either rent or purchase in City of Melton

| Income GIC | Purchase | Rental |
|-----------------|----------|--------|
| Singles | | |
| Very Low | X | X |
| Low | X | X |
| Moderate | X | X |
| Couples | | |
| Very Low | X | X |
| Low | X | ☑ |
| Moderate | X | ☑ |
| Families | | |
| Very Low | X | X |
| Low | X | X |
| Moderate | ☑ | ☑ |

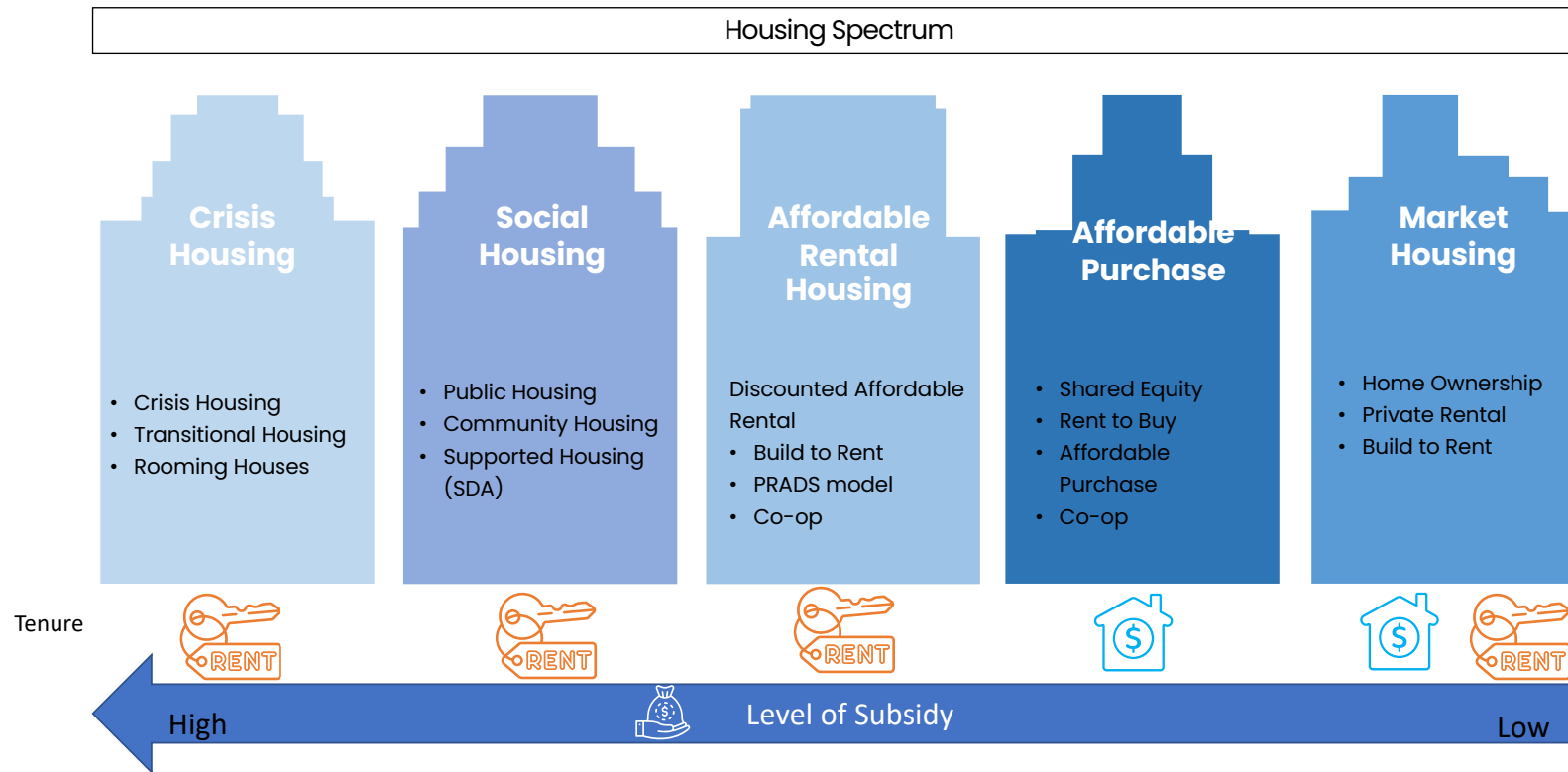


Figure 3 – Housing continuum and depth of subsidy

This can be further expanded to reflect the occupiers of each type of housing and is reflected in the figure below

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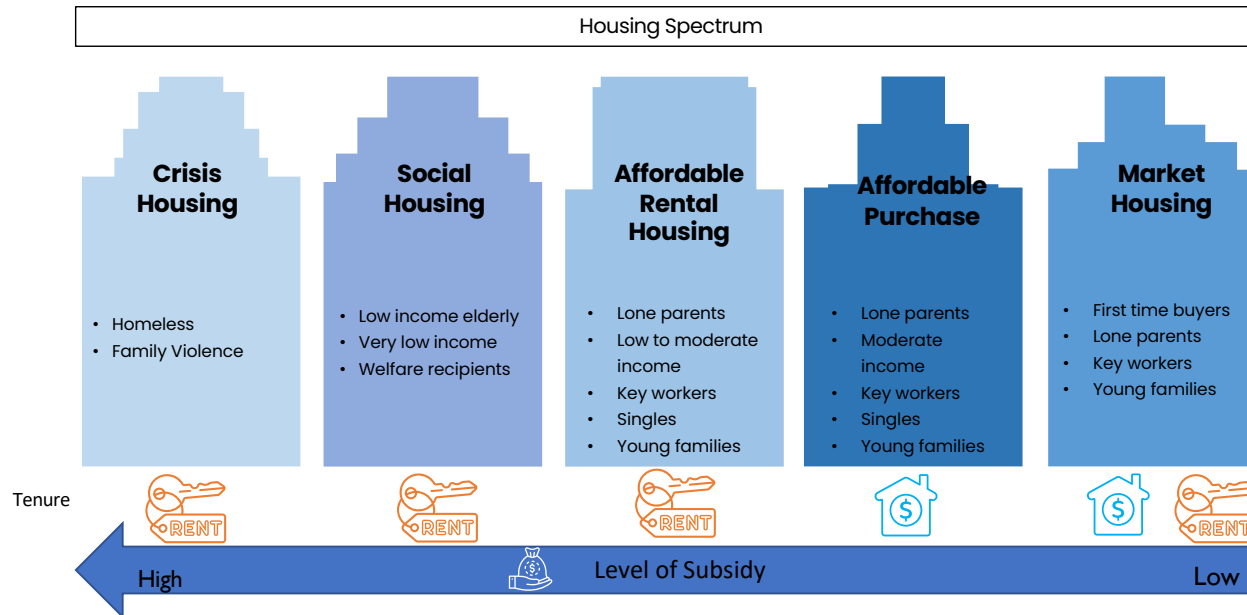


Figure 4 Occupier of types of affordable housing

All of the models shown in Figure 4 may be applicable in Melton as follows:

- Affordable purchase, which would include housing bought at a capped market price and the affordability retained through a restriction on title, shared equity, or rent to buy
- Below market rental, which would include build to rent, co-operative models, and a reinvented NRAS
- Social housing, which would include public housing development and renewal projects
- Crisis housing.

Affordable housing is needed by many specific market segments, including:

- **First-time buyers**, who can no longer buy due to casual work arrangements or the cost of housing. As a consequence, the rental market has young people entering who, in previous generations, would have been purchasers of homes. First home buyers will typically be seeking programmes associated with assisted home ownership
- The **low-income elderly**, particularly those in gentrifying inner suburbs. As they leave the workforce, they can no longer afford the private rental market and are sometimes forced to relocate; this is particularly affecting older women. The older poor will be seeking programmes associated with a blend of assisted home ownership and below market rental
- **Singles and young people** who are staying at home longer, partly because of the lack of affordable housing. Singles/young people would be seeking schemes associated with a blend of assisted home ownership and below market rental

- **Lone parents**, separation or divorce can affect household incomes and the capacity to afford appropriate housing. This was highlighted by the Victorian Parliamentary Enquiry into Domestic Violence. Lone parents may initially be seeking housing associated with public and community housing; however, over a longer period, will seeking schemes associated with a blend of assisted home ownership and below market rental
- **Key workers**, who are often forced to travel great distances between work and housing that is affordable. Key workers will be seeking programmes associated with a blend of assisted home ownership schemes and below market rental. Key workers are those members of the community who are essential to its operation such as teachers, health care workers, and operators of key community services
- **Low-income workers**, who are being forced into sub-grade rentals and teeter on the edge of homelessness. Low-income workers will be seeking housing associated with below market rental
- **Welfare recipients**, including those with a disability, who have the least options in the housing market of all. They will be seeking public or community housing.

There are many matters that affect the affordability of housing for different household types and income groups. However, some key statistics that are relevant to the above target groups are:

- First-time buyers/singles/young: The level of home ownership among 20–34-year-olds in capital cities is less than 50 per cent.²
- Those earning 80 per cent of the median – but who are not in public or community housing – spend, on average, 45 per cent of their income on housing costs³

² ABS 2021 census data

³ Burke et al. (2014). Burke, T., Stone, W. and Ralston, L. *Generational change in home purchase opportunity in Australia*. 232. Australian Housing and Urban Research Institute (AHURI)

- Lone parents also struggle to own their own home. Home ownership for single parents is below 50 per cent.²

Section 3AA (2) of the *Victorian Planning and Environment Act 1987* notes that the Victorian Government will specify the income ranges that apply as affordable annually via a Governor in Council Order (GIC).

The Victorian Government has defined following income ranges for the purposes of informing affordable housing policy across Greater Melbourne⁴ in 2022 – 2023:

Table 3 – GIC orders for income ranges associated with affordable housing (July 2022) Greater Melbourne

| | Very low income range (annual) | Low income range (annual) | Moderate income range (annual) |
|--|--------------------------------|---------------------------|--------------------------------|
| Single adult | Up to \$26,680 | \$26,681 to \$42,680 | \$42,681 to \$64,020 |
| Couple, no dependents | Up to \$40,010 | \$40,011 to \$64,030 | \$64,031 to \$96,030 |
| Family (with one or two parents) and dependent children | Up to \$56,010 | \$56,011 to \$89,630 | \$89,631 to \$134,450 |

⁴These income ranges have been gazette set under section 3AB of the Planning and Environment Act 1987. The income ranges are intended to inform policy relating to

income groups access to affordable housing – the income thresholds for eligibility for social housing are separately set by the Director of Housing.

4 POLICY CONTEXT

4.1 FEDERAL, STATE AND LOCAL GOVERNMENT

Federal Government

The current Federal Government position, as outlined in the budget on 25 October 2022⁵, indicated the following:

- A policy position to assist in the delivery of 30,000 affordable and social housing dwellings over five years through the establishment of a Housing Future Fund
- Key target areas are key workers, regional housing, family violence and older women
- Only 6,000 of the dwellings will be social housing
- The proposal is to introduce tenures such as shared equity – including all levels of government contributing land on a long hold shared equity basis
- The introduction of a build to rent that would provide a subsidy over a 20 year period to provide housing for key workers.

As in all things, the funding will be directed to where the best value for money is perceived to lie.

Victorian Government

Plan Melbourne recognises the policy drive for the provision of Social and Affordable Housing, and section 2.3 notes:

For Melbourne to remain liveable for all its citizens, the supply of social and affordable housing needs to be increased. A range of housing types

need to be developed within suburbs across Melbourne—not just in outer areas—to improve local affordability for homeowners and renters.

The Victorian Government policy *Homes for Victorians* provides:

Affordable Housing is housing that is appropriate for the needs of a range of very low to moderate income households, and priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs.

Melton Council

The City of Melton acknowledges the importance of addressing affordable housing and homelessness across the City of Melton. While Council does not have a dedicated affordable housing policy, it recognises the need for providing affordable housing options, as reflected in various documents that apply to the municipality.

⁵ https://budget.gov.au/2022-23-october/content/factsheets/download/factsheet_housing.pdf and <https://www.dtf.vic.gov.au/build-to-rent>

Table 4 Application of Melton Council Directions on Affordable Housing

| Council Strategy | Key points of relevance |
|---|--|
| <p>Melton City 2041 – The City We Create</p> | <p>Provides the community vision for the City of Melton for the next 20 years.</p> <p>The community's vision is for the City of Melton to be:</p> <ul style="list-style-type: none"> • Socially connected • Thriving natural environment • Well-built City • A strong local economy • Actively engaged people |
| <p>Council Wellbeing plan 2021 - 2025</p> | <p>Council's wellbeing commitment is:</p> <p><i>Everyone in the City of Melton deserves to live healthy, happy lives and experience positive health and wellbeing, and Council is committed to promoting and protecting the wellbeing of our community</i></p> <p>It goes on to recognise the strong link between livability and community wellbeing and the access to affordable housing.</p> <p>Outcome 3 of the plan notes:</p> <p><i>A City where growth and development occur in a strategic, fair and sustainable way</i></p> <p>With action 3.3.2 being:</p> <p><i>Advocate for and support the development of diverse and affordable housing options</i></p> |
| <p>Housing Diversity Strategy 2014</p> | <ul style="list-style-type: none"> • Recognises the importance of providing a range of housing types to meet the needs of a growing and changing community • Identifies that private housing provision is comprised of mostly detached dwellings and there are limited opportunities for medium to high density development compared with forecast demand. Identifies areas in City of Melton where housing diversity can occur. • Promotes affordable housing options. |

4.2 LEGISLATION OF AFFORDABLE HOUSING

Melton Planning Scheme

The Melton Planning Scheme currently contains policy on housing including affordable housing and housing diversity at Clauses 16, 21.08 and 22.12; see relevant extracts at Attachment 1.

These policies contain significant explicit support for providing an appropriate amount of affordable housing across Melton. This includes social/community housing and specialised housing for students, the temporary homeless, the aged and disabled residents.

The policies seek more intensive residential development sites near activity centres, public transport and community facilities. A suggested method to support this outcome is application of the Residential Growth Zone. An increase in smaller one- and two-bedroom homes is also sought.

Clause 21.12 already requires an applicant for residential development in a residential zone (except the MUZ) to provide a report on housing provision that must address housing affordability and diversity. However, policy does not specify specific amounts or types of affordable housing to be provided or provide any specific mechanisms to achieve affordable housing.

Clause 16 partly derives from Homes for Victorians - Affordability, Access and Choice (Victorian Government, 2017). Policies 21.08 and 22.12 derive from the Melton Housing Diversity Strategy May 2014.

In the context of implementing the Melton East Precinct Structure Plan, the VPA may amend the Melton Planning Scheme. These amendments may include new policy, requirements, exemptions or other provisions pertaining to affordable housing. Provisions may also be in a precinct structure plan.

Legislative rules and guides for affordable housing implementation

When amending a planning scheme, the Planning and Environment Act 1987 enables implementation of affordable housing within the following legislative ‘rules’:

Table 5 - Legislative context for the VPA affordable housing in Victorian planning

| Question | Rule | Source |
|---|--|---|
| What is VPA, as a planning authority, obliged to do? | A planning authority must implement the objectives of planning in Victoria. | <i>Planning and Environment Act 1987</i> , Section 12(1)(a) |
| What is the legislative objective for affordable housing? | To facilitate the provision of affordable housing in Victoria. | <i>Planning and Environment Act 1987</i> , Section 4(1)(fa) |
| What is affordable housing? | For the purpose <i>the Act</i> , affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following— (a) very low income households; (b) low income households; (c) moderate income households. | <i>Planning and Environment Act 1987</i> , Section 3AA(1) |

| Question | Rule | Source | | | | | | | | | | | | | | | | |
|--|---|------------------------------|-----------------------|-----|----------|--------------|----------------|----------------------|----------------------|----------------------|----------------|----------------------|----------------------|---|----------------|----------------------|-----------------------|--|
| <p>How do you determine whether housing is affordable?</p> | <p>Note the annual income range definitions in the Governor in Council declaration that apply to affordable housing (except social housing):</p> <table border="1" data-bbox="524 379 1193 794"> <thead> <tr> <th></th> <th>Very low</th> <th>Low</th> <th>Moderate</th> </tr> </thead> <tbody> <tr> <td>Single adult</td> <td>Up to \$26,680</td> <td>\$26,681 to \$42,680</td> <td>\$42,681 to \$64,020</td> </tr> <tr> <td>Couple, no dependant</td> <td>Up to \$40,010</td> <td>\$40,011 to \$64,030</td> <td>\$64,031 to \$96,030</td> </tr> <tr> <td>Family (with one or two parents) and dependent children</td> <td>Up to \$56,010</td> <td>\$56,011 to \$89,630</td> <td>\$89,631 to \$134,450</td> </tr> </tbody> </table> <p>Have regard to the Minister's specified matters when determining what is appropriate housing for household in those income ranges, See Section 4.3 below.</p> | | Very low | Low | Moderate | Single adult | Up to \$26,680 | \$26,681 to \$42,680 | \$42,681 to \$64,020 | Couple, no dependant | Up to \$40,010 | \$40,011 to \$64,030 | \$64,031 to \$96,030 | Family (with one or two parents) and dependent children | Up to \$56,010 | \$56,011 to \$89,630 | \$89,631 to \$134,450 | <p><i>Planning and Environment Act 1987, Section 3AA(2) and (3)</i></p> <p><i>Income ranges specified by Governor in Council, 23 Jun 2022 under Planning and Environment Act 1987, Section 3AB.</i></p> <p><i>Ministerial Notice, 17 May 2018 under Planning and Environment Act 1987, Section 3AA(2).</i></p> |
| | Very low | Low | Moderate | | | | | | | | | | | | | | | |
| Single adult | Up to \$26,680 | \$26,681 to \$42,680 | \$42,681 to \$64,020 | | | | | | | | | | | | | | | |
| Couple, no dependant | Up to \$40,010 | \$40,011 to \$64,030 | \$64,031 to \$96,030 | | | | | | | | | | | | | | | |
| Family (with one or two parents) and dependent children | Up to \$56,010 | \$56,011 to \$89,630 | \$89,631 to \$134,450 | | | | | | | | | | | | | | | |
| <p>What is the metropolitan greenfields objective for affordable housing?</p> | <p>VIABLE DENSITIES</p> <p>To deliver housing/population at densities that make local services and transport viable.</p> <p>T1 The PSP should facilitate increased densities with an average of 30 dwellings or more per NDHA within [400m walk of an activity centre or train station and 50m of open space, boulevards and major public transport routes].</p> <p>T2 The PSP should facilitate increased densities with an average of 20 dwellings or more per NDHA across the entire PSP area.</p> <p>T3 The PSP should facilitate increased housing diversity, with at least three distinct housing typologies to be included in [T1 areas].</p> | <p>PSP Guidelines Part 3</p> | | | | | | | | | | | | | | | | |

| Question | Rule | Source |
|----------|--|--------|
| | <p>How to apply in PSP: The Future Place-based Plan and Housing Plan should identify preferred locations for higher densities... Explore opportunities to maximise housing densities and diversities through a range of implementation measures, including a variety of residential and mixed-use zones/ applied zones and the Small Lot Housing Code.</p> <p>T4 Set a minimum target for provision of affordable housing in accordance with affordable housing policy, evidence, and guidance.</p> <p><i>Density as a proxy for diversity, accessibility and affordability</i></p> <p>20-minute neighbourhoods is a liveability policy that emphasises diversity, access, affordability and amenity, in addition to density. These principles are difficult to distil to a measurable target. As such, the density target is intended as a proxy to achieve outcomes that are relatively intangible and to lift the base-level standards across growth areas.</p> <p><i>Applying in the PSP</i></p> <p>The housing and Future Place-based plans in the PSP are the primary tool for delivery of T1, T2 and T3.</p> <p>For T4, the housing table should quantify the likely proportion of housing that will meet the affordability definition. Activity centre frameworks (where applicable) should provide guidance on the provision of affordable housing. Place-specific guidance should identify the preferred approach to entering into voluntary affordable housing agreements, if appropriate. This approach should then be implemented via the zone schedule. Sites should be nominated on the Housing Plan where appropriate.</p> | |

4.3 MINISTERIAL REQUIREMENTS

The purpose of the Victorian Government affordable housing reforms is to encourage an increase in affordable housing through local councils seeking a voluntary affordable housing contribution, as part of planning approval processes⁶. The legislated definition of affordable housing and the associated GIC Orders set out the income bands for individuals and households that the State Government considers needing affordable housing as described in Section 3 of this report.

The current State Government policy does not specify any maximum percentage of an individual, couple or family’s income that should be assumed as being spent on housing costs. However, there is broad support for the concept that individuals and households should spend no more than 30 per cent of income on housing costs. The position of 30 per cent was established by AHURI (Yates and Gabriel, 2006)

The Planning and Environment Act 1987, Section 3AA(2) includes reference to the Ministerial Notice relating to the specified matters and lists “matters to which regard must be had for the purposes of determining what is appropriate for the housing needs of very low, low and moderate income households.” The table below provides a response to the matters in the Ministerial Notice as these maybe applied to on the proposed land holdings in Melton East.

Table 6 - Application of the Ministerial Guidelines

| Matter | Urbanxchange recommendation |
|---|---|
| Allocation | <p>The definition of affordability as set out in the Planning and Environment Act 1987, Section 3AA (i.e. very low, low and moderate income earners) should be applied in relation to any affordable housing provisions at the site. The application of all income categories is justified based on the demographics and housing need in the Melton LGA.</p> <p>For dwellings that are developed as social housing it will be incumbent upon the operator to manage allocations and ensure ongoing monitoring, compliance and enforcement.</p> |
| Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for) | <p>Occupants of the dwellings should pay no more than 30 per cent of gross income on housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences.</p> <p>The position of 30 per cent was established by AHURI (Yates and Gabriel, 2006) and has been adopted by all levels of government and the broader housing industry as an agreed position.</p> <p>It will be encumbent upon the operator of the affordable housing to ensure that the occupants meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. For dwellings that are provided as affordable purchase or discounted rents, this can be achieved by evidence of income accompanied by an executed Statutory Declaration from the occupier noting that they are within the specified GIC Income criteria.</p> <p>These are demonstrated in Table 24 of this report.</p> |

⁶ <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

| Matter | Urbanxchange recommendation |
|--|--|
| <p>Longevity (in terms of the public benefit of the provision)</p> | <p>The affordable housing should be provisioned for 25 years, via agreed mechanisms that have a time limit of 25 years from initial occupancy.</p> <p>If titles are encumbered via a Section 173, then the Section 173 must have a timeframe in which it will elapse.</p> <p>The longevity of ownership of the actual site cannot be in perpetuity as financial institutions will not finance projects with this condition. Nor, in some instances of tenure type, will they consider beyond 25 years.</p> <p>If the contribution is being made to a Housing Association, then a mortgage can be registered on title.</p> |
| <p>Tenure</p> | <p>Urbanxchange suggests the following range of potential tenure solutions:</p> <ul style="list-style-type: none"> • Assisted purchase • Shared equity • Affordable rental via Build to Rent (either private or RHA) • Social housing • Cash contribution. <p>In addition, the possible extended time frame (10 plus years) for the implementation of affordable housing within the Melton East area means that there will be wider solutions for supply of housing as time progresses and there is a need to leave the ability for these solutions to be applied.</p> <p>In 2023, the Commonwealth will establish the Housing Australia Future Fund, which aims to deliver 20,000 dwellings over five years. This would include Build to Rent and Shared Equity. Shared Equity can only be considered if it is a commercial model.</p> <p>To facilitate delivery, what must be clear is the calculable value of the affordable housing. A mechanism will allow for clear calculation of a value and then this value is applied to the housing tenure proposed.</p> |
| <p>Type of housing, in terms of form and quality</p> | <p>The housing should be tenure blind and meet silver living standards from the Liveable Design Guides and, if the properties are apartments, the Better Apartment Design Standards or the standards of Clause 52.30 or 52.20 as relevant.</p> <p>It is noted that there is a lack of diversity of housing types in Melton and that more smaller housing and medium density housing may be able to contribute to affordable housing purchase opportunities. This is particularly evident in the number of lone and two-person households (34.6 per cent of the households at 2021 census) compared with the lack of smaller housing (only 5.5 per cent of 1- or 2-bedroom dwellings) to match.</p> <p>The size of the dwellings needs to meet the greatest identified demographic need of smaller housing for 25 – 39 year olds.</p> |

| Matter | Urbanxchange recommendation | | | | | | | | | | | | |
|---|--|---------|---------------------------|-----------------|---|---------------------|--|---------------------|---|------------------------------|---|---------------------------------|--|
| | <p>Based on the projected demographic need for single person and smaller households (as outlined in section 7.2, Urbanxchange suggests that consideration be given to a diversity of housing typologies including apartments and medium density dwellings as well as bungalows.</p> | | | | | | | | | | | | |
| <p>Location, in terms of site location and proximity to amenities, employment and transport</p> | <p>The site needs to have access to key amenities that would be considered essential for social housing, being:</p> <ul style="list-style-type: none"> • Supermarket • Schools • Public transport • Medical and health centres • Community facilities and services. <p>Ready access to amenities is a critical aspect of the provision of social housing. To provide guidance, almost all of the Registered Housing Associations require amenities within an agreed distance of social housing. It has been the Housing Associations' experience that if the distances are greater than those listed below, there is considerable additional expenditure needed for households to access amenities.</p> <p>Prior to locating social or affordable housing the amenities listed below must be developed and operational. Social housing will need to be within the catchment of a major activity centre.</p> <p>Table 7 - Amenity Schedule for social housing</p> <table border="1" data-bbox="766 916 2018 1361"> <thead> <tr> <th data-bbox="766 916 1077 979">Amenity</th> <th data-bbox="1077 916 2018 979">Site Requirements General</th> </tr> </thead> <tbody> <tr> <td data-bbox="766 979 1077 1038">Access to shops</td> <td data-bbox="1077 979 2018 1038">Retail facilities (supermarket, butcher, F&V) should be within 800m of the dwellings.</td> </tr> <tr> <td data-bbox="766 1038 1077 1098">Access to transport</td> <td data-bbox="1077 1038 2018 1098">Reliable frequent public transport should be within 800m of the dwellings.</td> </tr> <tr> <td data-bbox="766 1098 1077 1190">Access to education</td> <td data-bbox="1077 1098 2018 1190">Primary school within 800m. Secondary college within 1.5km of the dwellings and on a bus route.</td> </tr> <tr> <td data-bbox="766 1190 1077 1283">Access to community services</td> <td data-bbox="1077 1190 2018 1283">Community services should be within 800m.</td> </tr> <tr> <td data-bbox="766 1283 1077 1361">Access to recreational services</td> <td data-bbox="1077 1283 2018 1361">Recreational services within 800m of the dwelling.</td> </tr> </tbody> </table> | Amenity | Site Requirements General | Access to shops | Retail facilities (supermarket, butcher, F&V) should be within 800m of the dwellings. | Access to transport | Reliable frequent public transport should be within 800m of the dwellings. | Access to education | Primary school within 800m. Secondary college within 1.5km of the dwellings and on a bus route. | Access to community services | Community services should be within 800m. | Access to recreational services | Recreational services within 800m of the dwelling. |
| Amenity | Site Requirements General | | | | | | | | | | | | |
| Access to shops | Retail facilities (supermarket, butcher, F&V) should be within 800m of the dwellings. | | | | | | | | | | | | |
| Access to transport | Reliable frequent public transport should be within 800m of the dwellings. | | | | | | | | | | | | |
| Access to education | Primary school within 800m. Secondary college within 1.5km of the dwellings and on a bus route. | | | | | | | | | | | | |
| Access to community services | Community services should be within 800m. | | | | | | | | | | | | |
| Access to recreational services | Recreational services within 800m of the dwelling. | | | | | | | | | | | | |

| Matter | Urbanxchange recommendation | |
|---|--|--|
| | Access to health services | Medical centre within 800m. A major hospital is available within 8km. |
| | Access to Employment | Employment opportunities are established within the area. |
| | Support Services | Recognised specialist support services, such as family violence, mental health or drug and alcohol services. |
| Integration, in terms of the physical build and local community | <p>Urbanxchange does not believe that salt and pepper is necessary in such development. There is no substantive research that suggests that salt and pepper or cluster is advantageous for the occupants in a development such as is proposed and when considering such a small number of units. Developments such as The Merchant at Victoria Harbour and The Nicholson both have affordable housing for key workers that is provided in clusters, not salt and pepper.</p> <p>The affordable housing dwellings should be tenure blind.</p> | |
| <p>The following official estimates of housing need:</p> <ul style="list-style-type: none"> • Australian Bureau of Statistics Community Profiles • Census profiles for Victoria • Department of Health and Human Services Rental Report • Metropolitan regional housing plans to guide housing growth • Public housing waiting list (Victorian Housing Register list) • Victoria in Future data tables. | <p>The data in section 7 and Attachment 1 of this report indicate that the need within Melton is:</p> <ul style="list-style-type: none"> • Housing for those aged 25 – 39 years • Housing for low and moderate income households • For an increase in stock providing opportunities for younger people to who are on low to moderate incomes • For quality rental stock. | |

4.4 PLANNING LEVERS

4.4.1 EXISTING APPROVAL PROCESS

The existing Victoria Planning Provisions below can facilitate streamlined affordable and acute housing approvals in the precinct. Changes to include in the precinct amendment are noted to ensure they apply.

Clause 52.20 Victoria's Big Housing Build Provisions will apply without any changes required for the precinct planning scheme amendment. This clause will only apply for the life of the Big Housing Building Program – notionally 2024/25.

Clause 52.20 Community Care Accommodation will apply without any changes required for the precinct planning scheme amendment.

Clause 52.23 Rooming House will apply without any changes required for the precinct planning scheme amendment.

Clause 52.31 Local Government Projects will apply without any changes required for the precinct planning scheme amendment. This can be used in conjunction with 'use of council land' options above to facilitate <\$10m affordable housing project by or on behalf of a local government without a planning permit.

Clause 53.17 Residential aged care facilities only applies 'to an application... in the General Residential Zone, Mixed Use Zone, Neighbourhood Residential Zone, Residential Growth Zone or Township Zone'. To make clear it applies to an application under a provision of the UGZ, a specific provision should be drafted into the Melton East Urban Growth Zone (UGZ) schedule under the Clause 37.07-11 buildings and works 'specific provisions' head power as:

The provisions of Clause 53.17 apply to land where this schedule applies the General Residential Zone, Mixed Use Zone, Neighbourhood Residential Zone, Residential Growth Zone provisions.

Clause 53.20 Housing by or on Behalf of the Director of Housing provides a streamlined planning approval process for social housing developments in residential zones. The provision only applies 'to an application under a provision of a residential zone'. To clarify, it applies to an application under a provision of the UGZ and a specific provision should be drafted into the Melton East Urban Growth Zone (UGZ) schedule under the Clause 37.07-11 buildings and works 'specific provisions' head power as:

The provisions of Clause 53.20 apply to land where this schedule applies residential zone (other than a Low Density Residential Zone) provisions.

Small Lot Housing Code (SLHC) Homes can be built on <300sqm lots without a planning permit in a UGZ where they accord with the VPA's *Small Lot Housing Code* design standards. This report assumes this practice will be applied in Melton East. The SLHC has been used across metropolitan growth areas since its inception. In preparing this report, consultation with developers revealed that the evolution of small lot housing products can often be ahead of the SLHC's static standards. In 2019, the VPA finalised a revised SLHC – however, the small lot market is moving quickly with current average growth area lot sizes of 350sqm. As even minor variations will void operation of code, this can impede the delivery of smaller homes that can fall within the definition of affordable housing.

It is not within the scope of this report to address SLHC changes. A conventional building and works planning permit may still be issued for a dwelling not complying with the code. We note also that Director of Housing (public or social housing) dwellings may seek approval under the streamlined Clause 53.20.

One further option for investigation is the use of a VicSmart pathway to process applications for non-code compliant dwellings on a lot less than 300sqm while the land remains in the UGZ.

Bearing in mind the legislative rules, Table 8 below describes the range of generic planning scheme drafting methods available to facilitate affordable housing in the Melton Planning Scheme.

Table 8 - Planning Scheme Drafting Methods

| Type | Delivery method? | | What does it do? | Generic example | Implementation strength | | |
|--|------------------|---|--|---|-------------------------|-----|------|
| | PSA ⁷ | Permit | | | Low | Med | High |
| Permit exemptions, requirement, prohibitions (includes agreements that must be entered into as a condition of development) | Yes | No | Removes the need for a planning permit – may be subject to meeting a condition or ‘deemed to comply’ measure | <i>A permit is not required to construct a dwelling for affordable housing – the dwelling must be within XXXm of the town centre e.g., Small Lot Housing Code</i> | | | X |
| Definition | Yes | No | Provides a more specific definition than in the Act | <i>In this precinct affordable housing means: - Located within... - Appropriate for the needs of...</i> | | | X |
| Development bonus | Yes | Yes | Increases development rights where affordable is housing provided | <i>Construction of an additional # private dwellings will be permitted on each lot where an affordable dwelling is constructed and transferred to an RHA</i> | X | X | |
| Objective | Yes | No | States a desired outcome | <i>To provide well-located 1 and 2 bedroom homes</i> | X | | |
| Policy, guideline or standard | Yes | No | States a preferred outcome for achieving an objective. | <i>Residential subdivisions should provide at least #% affordable housing</i> | | X | |
| Mandatory requirement | Yes | No | States a mandatory outcome for achieving an objective that can’t be changed by a responsible authority | <i>Residential subdivisions must provide at least #% affordable housing by either: [insert options]</i> | | | X |
| Voluntary agreement (one that is not a condition of development) | No | Yes | Allows a responsible authority and landowner to enter an agreement to achieve a planning outcome | <i>No planning scheme provision required as agreement is voluntary</i> | X | | |
| Mandatory condition | Yes | No (for a condition to be mandatory it must be sourced from the planning scheme) | States a mandatory outcome as part of a permit condition that cannot be changed by a responsible authority | <i>The landowner must provide evidence of an agreement with a RHP to provide at least ## affordable homes in each stage of the development</i> | | | X |

⁷ Planning scheme amendment

| Type | Delivery method? | | What does it do? | Generic example | Implementation strength | | |
|-----------------------------------|------------------|--------|---|---|-------------------------|-----|------|
| | PSA ⁷ | Permit | | | Low | Med | High |
| Land reservation | Yes | No | Allows compulsory acquisition of land by a public authority | Applying a Public Acquisition Overlay to specific land | | | X |
| Exemption from third party notice | Yes | No | Prevents formal objections to an application | <i>An application... is exempt from the notice requirements of section 52(1)(a), (b) and (d), the decision requirements of section 64(1), (2) and (3)</i> | | | X |
| Exemption from appeal | Yes | No | Prevents objectors appealing a decision to the Tribunal | <i>An application... is exempt from... the review rights of section 82(1) of the Act.</i> | | | X |
| Time limitation | Yes | No | A scheme may limit the time in which a provision operates | This provision will expire on 01 Jan 2025. For instances to incentivise early adopters | | N/A | |

This report proceeds on the understanding that the planning scheme amendment to implement the Melton East Precinct Structure Plan will:

- Incorporate a precinct structure plan (PSP) for the precinct
- Apply the Urban Growth Zone (UGZ) to at least the developable area of the precinct and create a new Clause 37.07 schedule
- Incorporate an infrastructure contributions plan and associated Clause 45.11 schedule
- Make any necessary associated changes to the Planning Policy Framework, and referral and other powers.

The PSPGs anticipate affordable housing implementation in the PSP to occur via the *Future Place-based Plan, Housing Plan, Housing Table, PSP guideline – housing, place-specific guidance on s173 agreement content and activity centre frameworks* – see Table 5 above.

The UGZ allows the planning authority to prevent a permit issuing unless a stated requirement is met or a permit generally accords with the PSP. The content of the PSP will inform whether a permit generally accords.

These provisions allow, for example, the schedule or the PSP to require a permit applicant to enter into a section 173 agreement for affordable housing:

- Before a permit is granted by using the ‘Any requirement [in the schedule/PSP] must be met’ power; or
- Before the issue of a statement of compliance using the ‘A permit granted must including and conditions or requirements...’ power.

It also allows provisions of other zones in the scheme to be cross-referenced into the UGZ land for use and buildings and works applications – called ‘applied zones’ in the UGZ.

37.07-10 Subdivision of land

A permit is required to subdivide land. Any requirement in the schedule to this zone or the precinct structure plan must be met. [allows inclusion of a provision requiring a matter to be met before a permit is grant]

A permit granted must:

Be generally in accordance with the precinct structure plan applying to the land.

Include any conditions or requirements specified in the schedule to this zone or the precinct structure plan.

_37.07-11 Buildings and works

If the schedule to this zone specifies:

That the provisions of a zone apply to the development of land, the provisions of the zone apply to land in the circumstances specified in the schedule.

Provisions relating to the development of land, those provisions apply to land in the circumstances specified in the schedule.

If the schedule to this zone specifies that a permit is required to construct a building or construct or carry out works, a permit granted must:

Be generally in accordance with the precinct structure plan applying to the land.

Include any conditions or requirements specified in the schedule to this zone or the precinct structure plan.

It allows inclusion of application requirements about the applicant’s proposed approach to affordable housing (information that must be provided by an applicant with a planning permit application).

37.07-12 Application requirements

An application to use or subdivide land, construct a building or construct or carry out works, must be accompanied by any information specified in the schedule to this zone.

It allows the removal of the default notice and review exemption for applications that generally accord with the PSP.

37.07-13 Exemption from notice and appeal

An application under any provision of this scheme which is generally in accordance with the precinct structure plan applying to the land is exempt from the notice requirements of section 52(1)(a), (b) and (d), the decision requirements of section 64(1), (2) and (3) and the review rights of section 82(1) of the Act, unless the schedule to this zone specifies otherwise.

It allows inclusion of specific matters the responsible authority must consider when deciding a permit application.

37.07-14 Decision guidelines

...the responsible authority must consider, as appropriate:

The Municipal Planning Strategy and the Planning Policy Framework.

Any relevant Growth Area Framework Plan.

The precinct structure plan applying to the land, including the vision and objectives of the precinct structure plan.

Any guidelines in the schedule to this zone.

4.4.2 OTHER PLANNING LEVERS

The following secondary levers may also be used:

- Infrastructure and open space contribution reductions or deferrals
- Incentives such development bonuses or variation from suitable standards whether in the PSP or another provision as is provided in Clause 52.20 and 52.30
- Public acquisition of land for affordable housing.

4.4.3 TIMING OF PROVISION

Delivery of the affordable housing target should be timely and appropriately mixed through neighbourhoods (subject to meeting any precinct specific locational preferences). It is suggested that each landowner must commence the affordable housing by the time 50 per cent of the dwellings have a certificate of occupancy and be completed prior to 85 per cent of the dwellings have a certificate of occupancy.

There may be utility in providing a development bonus for early provision given there is current known unmet need.

4.4.4 PRINCIPLES

The affordable housing should be tenure blind; that is, indistinguishable from all the other housing.

The affordable housing must be located within an appropriate distance of required amenities as outlined in table 7.

4.5 COMMERCIAL MODELS

4.5.1 GOVERNANCE CONSIDERATIONS

Governance is how you organise to achieve intended value i.e. “outcomes”. To achieve these policy outcomes, a range of generic **governance functions** are often performed, which can be **structured** in a number of ways.

In summary, the outcomes that state government and council are seeking are:

- Provide opportunity for new housing growth in the municipality that is staged in a manner that reflects a steady and constant opportunity for land supply for new housing
- Grow levels of Social and Affordable Housing in the municipality that is targeted at identified areas of need
- Maintain in perpetuity housing assets within the municipality with a long-term view and grow the social housing by Housing Associations
- Ensure quality assurance of urban design and housing outcomes from investment (development and ongoing management).

To support the desired outcomes, governance functions need to be complied with in the areas of:

- Policy and strategy development, as well as review
- Resource commitment and allocation principles
- Management of risk, probity and equity
- Accountability and monitoring.

4.5.2 ASSESSMENT

The table below outlines what tenure types assist which potential cohorts of affordable housing occupants.

Table 9 - Housing tenures as applied to eligible households

| Type | Very Low Income | Low Income | Moderate Income |
|-------------------------------------|-----------------|------------|-----------------|
| Affordable Purchase | | | ✓ |
| Shared Equity | | | ✓ |
| Affordable Rental via Build to Rent | | ✓ | ✓ |
| Rent to Buy | | | ✓ |
| Social Housing | ✓ | ✓ | |

The following table provides an assessment of the effectiveness of the different tenure types by outcomes.

Table 10 - Development types v's state government and council outcomes

| Objectives for affordable housing | Tenure Types | | | | |
|--|--|---|--|--|--|
| | Affordable Purchase | Shared Equity | Build to Rent | Rent to Buy | Social Housing |
| Provide opportunity for new housing growth in the municipality that is staged in a manner that reflects a steady and constant opportunity for land supply for new housing | Affordable purchase that is encumbered provides opportunity for ongoing affordable housing that would be a constant supply | Shared equity would, if commercial*, open up opportunities for moderate income earners to enter the home ownership market | Build to rent would provide rental housing in the longer term for low to moderate income earners and increase the rental opportunities in Melton | Once the dwellings move from rent to purchase, the affordable housing aspect will diminish | Social housing via a Housing Association will take a larger subsidy for fewer dwellings, but provide a long-term perspective |
| Grow levels of Social and Affordable Housing in the municipality that is targeted at identified areas of need | Meet the requirement with an appropriate encumbrance | Initial opportunity via lower entry but once the shared equity has concluded, the affordable housing opportunity ends | Meet the requirement with an appropriate encumbrance | Initial opportunity via lower entry but once the rental has concluded, the affordable housing opportunity ends | Meet the requirement with an appropriate encumbrance |
| Maintain housing assets within the municipality with a long-term view and grow social housing by Housing Associations | Meet the requirement with an appropriate encumbrance but this is not social housing growth | Meet the requirement with an appropriate encumbrance but this is not social housing growth | Meet the requirement with an appropriate encumbrance but this is not social housing growth | Meet the requirement with an appropriate encumbrance but this is not social housing growth | Meets the requirement |
| Ensure quality assurance of urban design and housing outcomes from investment (development and ongoing management) | Through the planning permit process ensure that the housing is tenure blind and meets requirements for energy rating | Through the planning permit process ensure that the housing is tenure blind and meets requirements for energy rating | Through the planning permit process ensure that the housing is tenure blind and meets requirements for energy rating | Through the planning permit process ensure that the housing is tenure blind and meets requirements for energy rating | Through the planning permit process ensure that the housing is tenure blind and meets requirements for energy rating |

* provided on a large scale via a recognised financial institution.

The following table provides an assessment of the effectiveness of the different development types by governance function:

Table 11 - Tenure types v's Governance requirements

| Outcomes | Tenure Types | | | | |
|---|---|---|--|---|--|
| | Affordable Purchase | Shared Equity | Build to Rent | Rent to Buy | Social Housing |
| Policy and strategy development as well as review | This would be within the typical business as usual for Council | Agreement with a recognised commercial operator would provide opportunity for moderate income earners and meet the requirements of Victorian Government policy | Agreement with a recognised commercial operator (whether private or a Housing Association) would provide opportunity for moderate income earners and meet the requirements of Victorian Government policy | Council as owner works with the Housing Association to establish policy and strategy | The provision of social housing would support the identified need |
| Resource commitment & allocation principles | Business as usual – resources to agree encumbrance on title | Cost of establishing Agreements and reviewing submissions and ensuring that the proposal qualifies for affordable housing. Some resourcing to review developer achieving agreed objectives | Cost of establishing Agreements and reviewing annual submissions. | Cost of establishing Agreements and reviewing submissions and ensuring that the proposal qualifies for affordable housing. Some resourcing to review developer achieving agreed objectives | Cost of establishing Agreements and reviewing EOI submissions if via cash contribution |
| Management of risk, probity and equity | No risk to Council The equity created will be protected via an encumbrance | Removes risk from Council – risk is with developer. The affordable housing is lost during the process of second equity party buy out – Council loses affordable housing equity from City of Melton | Organisation would establish own process to do this, and council may have limited oversight – removes risk from Council – risk is with developer. The equity created will be protected via an encumbrance | Once the affordable housing is removed during the process of purchase – Council loses affordable housing equity from City of Melton | Removes risk from Council with Housing Association. The equity created will be protected via an encumbrance. |

| Outcomes | Tenure Types | | | | |
|-------------------------------|--|---------------|--|-------------|--|
| | Affordable Purchase | Shared Equity | Build to Rent | Rent to Buy | Social Housing |
| Accountability and monitoring | Council can set overview and accountability in Agreement | Limited | Council can set overview and accountability in Agreement | Limited | Council can set overview and accountability in Agreement |

5 AFFORDABLE HOUSING OPTIONS

The challenge for developers seeking to deliver new housing is to be able to achieve sale prices that support an acceptable return on development costs.

When considering a potential development, developers review both revenue and costs. The revenue/market price must be relative to prices in surrounding suburbs; the development pricing must be consistent, as prices too far above market levels are not achievable. A pricing strategy can be developed in several ways, as this table shows:

Table 12 Market pricing

| Strategy | |
|-----------------------------|--|
| Premium | Consistently priced above the market; when competitors move up, the developer maintains a price premium |
| Parity | Developer matches the surrounding market. Prices are only slightly above or below that of the price leader in the market |
| Penetration | Developer consistently prices below the price leader in order to obtain a faster sales rate at the expense of margin |
| Bundling/value added | Developer adds a package of goods to the price to increase the perceived value of the offering |
| Discount | Developer maintains a list price that is usually parity-based and periodically discounts to increase or top-up sales |

Developers usually follow a price parity strategy. However, to move stock, sometimes developers will price their product at the lower range and thus adopt a penetration or discount strategy.

Most costs are relatively fixed as a proportion of development costs. These include:

- Design costs. Generally, 8 per cent to 10 per cent of any development costs

- Construction costs. For the areas of development these are fixed. Multi-storey construction costs vary according to height and finishes, but these are a reflection of market expectations and pricing
- Statutory authority charges. There is little variability in the charges imposed across any development type and there is no room for negotiation
- Finance costs. The rate at which finance is charged and the required requirements to achieve finance will remain constant across project types. In the present economic climate, and despite interest rates, most developers cannot achieve full funding for projects.

The variable cost factor is the price paid for the land. Just about all affordable housing outcomes require a subsidy and, in providing affordable housing, the developer will remove the affordable housing contribution from the cost paid for the land.

In the current financial environment, developers typically require the following to secure finance for a development project:

- 65 per cent debt/35 per cent equity
- Return or profit of 20 per cent before overheads and corporate costs
- 70 per cent presales contracts on residential (of which only 30 per cent can be to overseas buyers)
- 70 per cent plus sales or lease on commercial/retail components.

The only capacity available, in a commercial development model, to achieve a dwelling at price levels affordable to those in the Governor in Council income ranges is for there to be a discount to the price of the land.

The addition of any requirement to deliver specific types or quantities of affordable housing contribution ideally needs to be managed in a manner that does not affect the developer return and provides for presales. Hence such a

requirement is ideally imposed as early as possible in the development cycle to enable it to be sustainably incorporated into financial modelling.

The development of affordable housing requires an intervention in the normal market cycle. As indicated in Figure 3, the tenure type indicates the level of intervention required – that is, the more support for lower income households, the greater the subsidy required.

5.1 OBJECTIVE

The objectives of affordable housing delivery mechanisms are:

- To deliver appropriate affordable housing of the community
- To provide clear direction to developers and landowners on the requirements for the affordable housing contribution
- To provide a clear calculable value for the affordable housing contribution that can then be attributed to the various housing tenures.

The development of a commercial framework for the affordable housing contribution will need to be cognisant of:

- The capital requirements
- Ongoing property and tenancy management matters
- Ownership of the properties
- Tenure of the occupants
- Finances.

5.2 AFFORDABLE HOUSING FUNDING FLOW

With regard to the long-term economic considerations of developing affordable and social housing, a financial assessment would include the following:

- Combine the funding elements
- Estimate the project income
- Estimate the long-term project ownership costs
- Forecast the likely future cash flows, based upon assumptions outlined below
- Undertake sensitivity analysis of key variables that could have an impact on future cash flows.

Financial Institutions will require that the following items are considered:

- Interest coverage ratio – this is a factor of income over operating costs (including maintenance) usually required to be income of at least 1.5 times the operating costs
- Loan to value ratio – this is the value of property against the loan value
- Payback period – in most instances debt is required to be paid back in a maximum of 20 years
- Maintenance surplus – this is sometimes called a sinking fund to allow for the upkeep of the building and replacement of key elements to ensure that the value of the property is retained.

In simple terms, this can be demonstrated below:

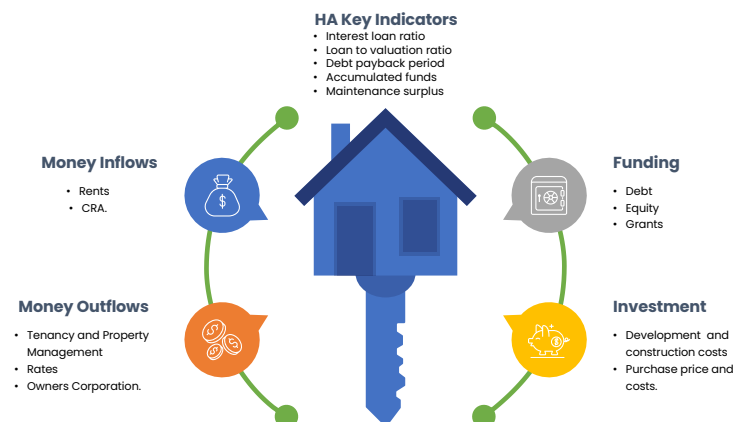


Figure 5 - Lifecycle feasibility model

For almost all affordable housing options, there is a balance between the debt that can be raised, how much equity can be contributed, with grants potentially filling the gap.

Consideration needs to be given to the source of the grant because it will often have requirements about who is to be housed. The current and potential funding streams are listed below.

5.3 FEDERAL GOVERNMENT SOURCES

The Federal and State Governments periodically run regionally-focused programs through which Councils can seek funding for projects that could assist with the provision of key worker housing. These could include the installation of infrastructure and grants to demolish the existing buildings to lower the cost of development for affordable housing.

The cost of infrastructure is prohibitive for projects with marginal feasibilities, creating a disincentive for development. Regional infrastructure grant programs would provide the opportunity to contribute to the construction of key infrastructure items such as road, sewage, water and/or stormwater to encourage the cost of infrastructure headworks to be paid, again lowering the cost for the development of affordable housing.

In the current election cycle, Council should be advocating strongly for assistance in getting the site development-ready.

This advocacy action relates to encouraging Federal and State Government to consider running new programs in the future. Any of the other recommended actions that require Council funds to proceed could potentially be eligible for such grant programs.

The Housing Affordability Future Fund is before Federal Parliament for debate in principle it is targeting the following:

- A policy position to assist in the delivery of 30,000 affordable and social housing dwellings over 5 years through the establishment of a Housing Future Fund
- Key target areas are key workers, regional housing, family violence and older women
- Only 6,000 of the dwellings will be social housing
- The proposal is to introduce tenures such as shared equity – including all levels of government contributing land on a long hold shared equity basis
- The introduction of a build to rent model that would provide a subsidy over a 20-year period to provide housing for key workers.

As in all things, the funding will be directed to the best value for money is perceived to lie.

5.4 STATE GOVERNMENT OPPORTUNITIES

The Victorian Government has several grant schemes as follows:

Social Housing Growth Fund

The Victorian Government in 2020 announced the Victorian Social Housing Growth Fund.

Victorian Property Fund

The Victorian Property Fund (VPF) is a trust fund established under the Estate Agents Act 1980 and administered by Consumer Affairs Victoria.

The VPF has an annual competitive housing funding round. Only Registered Housing Associations and providers can apply for the VPF grants. The VPF grants are currently on hold because of the Social Housing Growth Fund.

Moving forward, the VPF grants will become available.

5.5 OWNERSHIP OF THE PROPERTIES

A key aspect in the delivery of any housing, whether it be by a private or not-for-profit operator, is to create an environment that attracts investor interest.

The following types of investment criteria (or combinations thereof) will be relevant in determining whether to undertake residential development in the region:

- Sufficient depth of market and likely trading volumes to justify mobilising capital and development resources in a given location
- Certainty over development yields and the approvals process
- Government policy that supports growth
- Ability to realise attractive commercial returns or yields within reasonable timeframes
- Availability of sizeable development opportunities (either larger development sites or a pipeline of development projects) that warrant making a sizable capital investment in development in the region.

However, the small size of the housing market (for a commercial build to rent) in this location means that there is insufficient interest. Any new housing will be reliant upon Government support.

There are two aspects to property development that need to be considered, being:

- The capital development – that is, the cost to develop and (maybe) then sell the dwellings
- Operational costs – some of the housing tenures not only require capital development but may also require operational costs to deliver the housing over the long term.

If a subsidy is required to achieve the housing outcomes, in this instance by the rezoning of the land to provide opportunity for development, then any initial subsidy needs to be preserved for the longer term. This can be done by encumbrances such as covenants or a section 173 on title preserving the affordable housing for future owners.

5.6 CAPITAL

Affordable housing has been unable to become an asset class in Australia due to several factors, including:

- Insufficient returns to attract institutional investment. The returns in most instances are break even without any consideration for trying to grow affordable housing into an investment class
- Minimal track record. The Housing Associations (unlike elsewhere in the world) are not fully resourced and, prior to five years ago, were small charities
- Lack of a sizable investment platform. The industry is too small and even the Federal Government's \$1 billion bond aggregator scheme requires more scale to attract true institutional investment
- Policy and funds are focused on the most vulnerable, without consideration of other groups requiring assistance with housing costs
- Lack of a cohesive policy and implementation platform at Federal and State level. This is reflected in the lack of funding at both levels of government for any affordable housing mechanisms.

6 CASE STUDIES

6.1 VICTORIAN CASE STUDIES

This report has identified several examples of SAH implementation in Victorian planning schemes from before and after the introduction of the affordable housing objective into Victorian planning legislation. Comparable states across Australia have also attempted affordable housing implementation. This section reviews those approaches and discusses the relevance of this existing practice for the Melton East growth precinct.

Notably absent from Table 13 below are examples of ‘active’ affordable housing provisions in growth areas. Historically, a working assumption of metropolitan growth area planning has been that the purchase price of housing in these areas was affordable for at least moderate-income households. This measure of affordability takes into account the initial housing purchase price – it does not factor in the full range of considerations set out the Ministerial Notice under section 3AA(2) Ministerial.

As the empirical analysis of the Melton housing market at Section 7 shows, this historic working assumption does not continue to apply even in Melbourne’s ‘most affordable’ suburb.⁸ Adding in consideration of matters in the Ministerial notice beyond affordability sees affordability in this corridor decline further due largely to relative deficits in locational advantage (even though this may be temporary), longevity, tenure, type of housing and statistically recorded need.

6.1.1 MEASUREMENT OF IMPLEMENTATION SUCCESS

Certainty in achieving the affordable housing objective or outcome is chosen as the measure of implementation success. Affordable housing is a critical policy concern. It is also not an easily exchangeable resource i.e., it cannot be readily provided in ways other than provision of dwellings. So, the outcome of actual affordable dwellings is almost the only success measure – akin to an infrastructure item. Compare this with, say, the planning objective ‘to secure a pleasant, efficient and safe working, living and recreational environment,’ which might be provided through application of a myriad of design techniques, zoning, land reservation and so on.

Table 13 - Victorian local planning schemes cases

| Planning scheme | Location | Development context and zone or overlay | Provisions used | Specific outcome sought / required? | Certainty achieving SAAH objective? |
|-----------------|----------------|---|--|---|-------------------------------------|
| Glen Eira | East Bentleigh | Urban renewal CDZ | S173 agreement entered prior to planning scheme amendment Requirement (enter s173 | Before the planning scheme amendment approval Council and the developer entered a s173 agreement requiring the developer to provide affordable housing. Prevents the issue of a permit for more than 3,000 | Very high |

⁸ Melton, Melton South, Kurunjang and Melton West have remained the three most affordable median home prices in metropolitan Melbourne for at least the past decade – Victorian Valuer General 2022, *House by Suburbs 2011-2021*, (<https://www.land.vic.gov.au/valuations/resources-and-reports/property-sales-statistics>).

| Planning scheme | Location | Development context and zone or overlay | Provisions used | Specific outcome sought / required? | Certainty achieving SAAH objective? |
|-------------------------|-------------------|---|---|---|-------------------------------------|
| | | | agreement before permit granted) | dwellings on the land unless 10% of any dwellings above 3,000 are affordable housing. | |
| Monash | PMP Printing site | urban renewal CDZ | Requirement (enter s173 agreement before permit granted) | Provide land capable of delivering 10% SAAH; or Sell 4% of dwellings at 50% discount to RHA; or Gifting 2% of dwellings to RHA. | High |
| Melbourne | 550 Epsom Rd | urban renewal SUZ | Requirement | Deliver 5% of new dwelling into a Trust to be managed as affordable housing. | High |
| Melbourne | Flemington Green | Urban renewal SUZ | Requirement | Provision of 5% of all dwellings (including 15 dwellings to be held in Trust for low income staff working at Flemington Racecourse) for the purposes of affordable housing. | High |
| Hobsons Bay | Altona North | urban renewal CDZ | Requirement (prior to issue of a statement of compliance for subdivision) | Make 5% of dwellings constructed available to RHA or council for purchase at 25% below market value of a 2-bedroom unit | High |
| Yarra | Amcor site | urban renewal DPO | Requirement (enter s173 agreement before permit granted) Development plan content | Provide 5 percent of the total number of dwellings for the purpose of affordable housing developed in association with an accredited Housing Association; | Medium |
| Port Phillip /Melbourne | Fishermans Bend | urban renewal CCZ | Policy Decision guideline | Provide at least 6% of dwellings under density limit as affordable (some exceptions) Bonus above 6%: 8 private dwellings per 1 social dwelling | Medium |
| Melbourne | Arden | urban renewal SUZ | Objective Policy | Deliver 6% of dwellings at 50% discount transferred to SAAH | Medium |

| Planning scheme | Location | Development context and zone or overlay | Provisions used | Specific outcome sought / required? | Certainty achieving SAAH objective? |
|-----------------|--------------------------|---|-------------------------------|--|-------------------------------------|
| | | | Decision guideline | | |
| Melbourne | West Melbourne | urban renewal SUZ | Policy Decision guidelines | Provide at least 6% of dwellings as affordable housing | Medium |
| Glen Eira | Caulfield mixed use area | urban renewal PDZ | Decision guideline | Nil | Low |

6.2 INTERSTATE MODELS

Based on comparable states as seen in Table 14 and Table 15 below, all states provide planning regulations/schemes and housing strategies that aim to facilitate more affordable housing through the planning system. Despite similarly high-level planning strategy and objectives, a lack of mandatory policies and developer contribution is evident. South Australia and New South Wales are the notable exceptions where good implementation strategies provide clear direction in planning regulation/schemes.

Table 14 - Affordable Housing Implementation – Interstate Models

| State | Strategy | Direct funding for new homes | Allows developers to contribute (voluntary) | Require developer Contribution (mandatory) |
|-------|----------|------------------------------|---|--|
| SA | ✓ | X | ✓ | ✓ |
| QLD | ✓ | ✓ | ✓ | X |
| WA | ✓ | X | ✓ | X |
| NSW | ✓ | ✓ | ✓ | X |
| VIC | ✓ | ✓ | ✓ | X |

Table 15 - Affordable Housing statutory schemes – Interstate Models

| State | Planning act/legislation | Planning regulation/ Scheme(s) | Local planning regulation | Examples of successful implementation |
|-------|--------------------------|--------------------------------|---------------------------|---------------------------------------|
| SA | ✓ | ✓ | ✓ | Yes |
| QLD | ✓ | ✓ | X | No known examples |
| WA | X | ✓ | ✓ | No known examples |
| NSW | ✓ | ✓ | ✓ | Limited |
| VIC | ✓ | ✓ | ✓ | Limited |

6.2.1 SOUTH AUSTRALIA

South Australia is the only state that provides specific provisions through both state policy and local planning laws for all new developments and growth areas, rezoning and residential developments. The primary planning tool to support the delivery of affordable housing throughout the state is an inclusionary provision Affordable Housing Overlay. This Overlay applies to all residential zones and sets out an expectation that 15 per cent affordable housing for low to moderate income households will be delivered in developments of 20 or more dwellings. To encourage the provision of affordable housing, the Overlay also allows development bonuses by allowing variations to zone requirements e.g., exceed maximum building height; reduce minimum lot size, increase maximum housing density. To date, as seen in Table 16, many affordable home projects are underway/delivered under the requirements of this Overlay.

Table 16 - Projects implemented in SA using the Affordable Housing Overlay

| Project name | Description | AH target | Total AH dwellings (estimated) | Outcomes to date |
|-----------------------|--|------------------|--------------------------------|--|
| Bowden | Higher density urban infill project located on 16.4 hectares of former industrial land adjacent to the city's western parklands – 2,400 dwellings for 3,500+ residents | 15 per cent | 350 | Two affordable housing projects underway aiming to provide accommodation for city workers in both rental and purchaser markets (rent to buy) |
| Lightsview | Inner-city land development covers approximately 100 hectares – 2,200 allotments and 2,700 dwellings accommodating 5,000 residents | 15 per cent | 405 | 290 affordable homes were sold in 2015 |
| Playford Alive | 500+ hectares, 40,000+ residents | 15 – 25 per cent | 2,600 | 37 affordable dwellings |

6.2.2 NEW SOUTH WALES

In contrast to the mandatory inclusionary requirement in South Australia, the primary focus in NSW has been on voluntary provisions and development bonuses to incentivise affordable housing supply.

The voluntary planning agreement (VPA) introduced into the Environmental Planning Assessment Amendment Act 2005 (NSW) allows the value of uplift from development consent to be shared between the developer and the

community. In practice, this agreement would be entered into by a planning authority and a developer, under which the developer is required to make a land or monetary contribution for a public purpose. That said, despite all councils having implemented VPA policies into their planning scheme, only a small number of councils have actively delivered affordable housing through this strategy.

Infill affordable housing is another way NSW aims to encourage the development of more affordable housing. To achieve a density bonus, developers of medium and high-density developments would need to allocate at least 20 per cent of gross floor area for affordable rental housing. However, in contrast to the affordable housing overlay in South Australia that allows a development to vary the zone requirements, the height and building standards set out in the NSW planning scheme still apply to affordable housing proposals, which is why it has been hard for developers to achieve the full floor space required.

While there are examples of affordable housing in NSW, a lack of mandatory requirements within the state of NSW has made it difficult to implement thus far. Some local councils, such as Waverly City Council in inner southeast Sydney, have introduced their own inclusionary zoning clause within their housing policy. This clause encourages affordable housing by requiring a contribution from development of affordable housing both on and off site, and has shown to be the strongest provision for implementation in NSW.

The examples provided in these sections show that although there are multiple ways in which to tackle affordable housing issues, mandatory requirements have produced clearer examples of affordable housing implementation. While the NSW voluntary agreements aim to achieve the same outcome, they do not appear to offer a clear and tangible outcome in terms of achieving a target in any particular area.

6.2.3 OTHER IMPLEMENTATION FACTORS

Other factors informing the varied approaches may be:

- Inner city locations may produce more take-up of voluntary provision as the relative value of development bonuses are substantial in comparison with

suburban or outer locations (see, for example, Waverley in Sydney and various examples in the City of Melbourne).

- The absence of a strategic underpinning, such as this report, for an affordable contribution will weaken the case for a clear target. This has led to speculative targets with no clear relationship to on-the-ground need i.e., Fishermans Bend. This weakness may manifest in a post-development mismatch of affordable housing types or location compared with the actual community need
- The absence of strategic underpinning also weakens attempts to implement specific and clear requirements in the scheme. This is particularly the case in multi-landowner situations where the likelihood of settling of an agreed target and implementation requirement between landowners and the authority is low. Without a strategy usually only voluntary or 'encouraging' statements can be approved into a planning scheme
- A motivated authority, in tandem with a single precinct landowner or a group of like-minded precinct landowners, can often produce a clear affordable housing outcome by agreement before a rezoning. Examples include: East Bentleigh, Altona North and the PMP Printing site. In East Bentleigh an agreement was struck and signed with the single majority landowner; in the other examples, agreement was reached resulting in a mandatory provision in the planning scheme amendment.

6.2.4 DISCUSSION

What the analysis in Section 7 demonstrates is that for the planning authority to deliver on its obligation to facilitate delivery of an affordable housing target, there is a clear need to regulate as the market is highly unlikely to provide for a broad cross-section of housing users in Melton East or its surrounds.

Table 8 - Planning Scheme Drafting Methods above presents current examples of planning provisions in Victorian planning schemes. The rightmost column grades the relative certainty in delivering on the stated affordable housing objective of each type of the planning provision methods. While it may seem obvious, planning provisions that require provision of affordable homes or a contribution to providing those homes provide the most certainty. The provisions in the case studies make development conditional on provision of built affordable housing or some equivalent contribution whether land, cash to a specified body or trust, or other agreed means.

The other common method used in the case studies is a combination of policy and decision guidelines. This method is used across several redevelopment areas in the City of Melbourne and emerged first in the Fishermans Bend precinct. It makes the enforcement of affordable housing outcomes the default approach but, ultimately, a discretionary outcome dependent on the context of each development.

All reviewed provisions prevent a developer progressing their development without first agreeing their affordable housing contribution. The most common hold point used is 'before a permit is granted' with 'before a statement of compliance for subdivision' used in one instance.

As there are no off-the-shelf or templated Victoria Planning Provisions for affordable housing, all case studies use special purpose zones or, in one case, the Development Plan Overlay. All these types of provision enable the inclusion of a 'permit requirement' or a 'requirement for permit' to implement the affordable housing target.

A discretionary approach is possible in Melton East but less suitable than setting a clear, mandatory minimum contribution from development towards the Melton East affordable housing target. The reasons for this recommendation are:

- If an affordable housing target is to be achieved in the absence of market provision, there is a greater need to impose a mandatory requirement. There is a likely to be a greater gap between the prevailing market offer housing and Melton East and housing suitable to the needs of those in the moderate, low and very income ranges such as RHA rentals, smaller homes, one-bedroom homes, homes with shared on-site amenities and so-on – contrast this to inner city redevelopment areas that rely predominantly on locational advantages and typically provide a percentage of for-purchase housing with affordable characteristics.
- Consultation with landowners in the precinct revealed that, in the market context of Melton East, density bonuses are highly unlikely to incentivise the provision of affordable housing
- A reasonable requirement provides significantly greater certainty and, when well drafted, clarity to landowners, authorities and the community about how to meet the affordable housing target. This can significantly reduce post-PSP disputes including tribunal hearings and requests to amend PSPs to clarify the issue
- A clearly calculable and repeatable requirement, consistently implemented, can reduce administrative burdens for both authorities and land developers.

In terms of process, the case study provisions require the final form and method of provision to be set out in a planning agreement ('a section 173 agreement') either before a permit is granted or, in one case, before issue of a statement of compliance for subdivision. This method of finalising affordable housing arrangements is most often used, as it:

- Provides flexibility for the responsible authority and landowner to agree the detailed final form of a contribution (as opposed to the affordable housing target itself); and
- Forms a type of restriction on the land title to ensure the obligation 'runs with the land' and continues to oblige succeeding land purchasers.

7 DEMOGRAPHIC OVERVIEW

7.1 AUSTRALIAN POPULATION AND HOUSING

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Over the long term, prices have risen rapidly in all cities and most regions, although there are variations from year to year⁹. Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently¹⁰. Median prices have increased from around four times median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney and Melbourne)¹¹.

Population growth is a basic, if often overlooked, factor in differences between housing systems. High population growth means that a housing system needs to continually add new stock, which may have implications for the replacement of old stock; the investment of resources in new supply needs also to be financed and implemented. Volatility in rates of growth may pose challenges for the planning, financing and marketing of housing. All these factors may have implications for the distribution of housing between sectors and between people.

Home ownership rose rapidly in Australia in the early 1950s, from about 50 per cent to 70 per cent. Overall home ownership remained around 70 per cent for the next 50 years; a slight decline during the past decade saw it fall to 67 per cent in 2016.

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home

ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent.

Consequently, without intervention, home ownership rates are unlikely to bounce back over time. For 35-44 year olds, home ownership has fallen fast – from 74 per cent in 1991 to around 62 per cent today – and home-ownership is also declining for 45-54 year olds. These trends are expected to translate into a 10 percentage point fall in home-ownership rates for over-65s by 2046.

Home ownership has been the Australian way of wealth creation for many generations. Many aspects of Australian policy, including areas relating to retirement incomes, access to finance and rental tenure, have been built on the assumption that most Australians will own their home.

Today's trends suggest that a greater proportion of people reaching retirement age will be renting and that more of them will depend on the private rental market rather than social and public housing. They also indicate that, without adequate incomes, the rate of homelessness will increase.

Accurate predictions for the growth of household formation relative to income have not been available since the Abbott Government ceased the work of the National Housing Supply Council. However, the work of the National Supply Council has remained valid and indicates we should expect a rapid increase in lone person households, mostly at the expense of family households. It also indicates a need for a diversity of housing types to meet changing household structures in the future.

Of particular note is the increase of lone person households in Australia's capital cities, particularly Melbourne. The biggest increase in lone person households will be seen by those in the 20 – 35 age group in the moderate income range.

⁹ Stapledon (2012).

¹⁰ C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

¹¹ The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as

average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

7.2 OVERVIEW OF POPULATION AND HOUSING IN MELTON COUNCIL

The 2021 ABS Census provides an overview of the existing community within the City of Melton. The City of Melton is one of the fastest growing municipalities in Australia. As at the 2021 census its population was 178,957, having grown some 24 per cent from the 2016 census.

Table 17 – Population of Greater Melbourne/City of Melton via age categories (2021)

| Five year age groups (years) | City of Melton | | Greater Melbourne |
|------------------------------|----------------|-----|-------------------|
| | Number | % | % |
| 0 to 4 | 14,460 | 8.1 | 5.9 |
| 5 to 9 | 15,297 | 8.5 | 6.3 |
| 10 to 14 | 13,832 | 7.7 | 6 |
| 15 to 19 | 11,568 | 6.5 | 5.6 |
| 20 to 24 | 11,121 | 6.2 | 6.7 |
| 25 to 29 | 12,607 | 7 | 7.8 |
| 30 to 34 | 15,717 | 8.8 | 8.2 |
| 35 to 39 | 16,366 | 9.1 | 8 |
| 40 to 44 | 14,168 | 7.9 | 6.9 |
| 45 to 49 | 12,398 | 6.9 | 6.5 |
| 50 to 54 | 10,093 | 5.6 | 6.3 |
| 55 to 59 | 8,158 | 4.6 | 5.7 |
| 60 to 64 | 6,951 | 3.9 | 5.1 |
| 65 to 69 | 6,016 | 3.4 | 4.4 |
| 70 to 74 | 4,733 | 2.6 | 3.9 |
| 75 to 79 | 2,768 | 1.5 | 2.8 |
| 80 to 84 | 1,551 | 0.9 | 2 |
| 85 and over | 1,154 | 0.6 | 2 |

The five year age groups of City of Melton in 2021 compared with Greater Melbourne shows that there was a higher proportion of people in the younger age groups (under 15) and 30 – 44 years as well as a lower proportion of people in the older age groups (65+).

The income levels in the City of Melton indicate that it is an area dominated by low to moderate income earners. Based on the 2021 census data, 73% of the City of Melton’s population would have qualified for affordable housing provisions based on the GIC Orders.

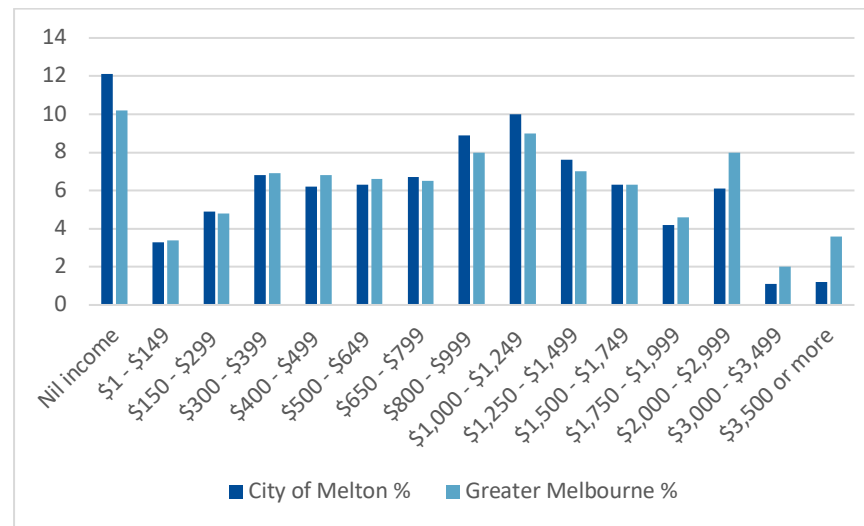


Figure 6 – Individual income City of Melton compared with Greater Melbourne (2021 ABS Census)

The household incomes in the City of Melton indicate that it is an area again dominated by low to moderate income earners. Approximately 50 per cent of couples with no children would qualify for affordable housing based on the GIC Orders, based on 2021 census date and 80 per cent of families with children.

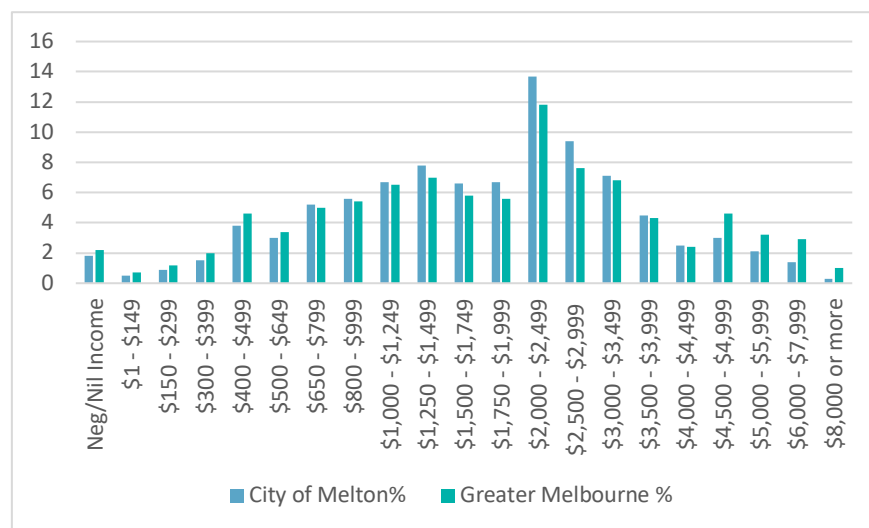


Figure 7 – Household income City of Melton compared with Greater Melbourne (2021 ABS Census)

An analysis of the jobs held by the resident population in City of Melton in 2021 shows the four most popular occupations were:

- Professionals (17.2%)
- Clerical and Administrative Workers (14.3%)
- Technicians and trades (13.8%)
- Community and personal service workers (11.9%).

In combination these four occupations accounted for 57.2 per cent of the employed resident population. Further, this figure suggests that those members of the community who support Melton - such as hospitality workers, shop assistants and labourers, who were the traditional occupants of Melton - are being displaced by higher income professions seeking housing that is affordable.

Analysis of the housing tenure of households of the City of Melton in 2021 compared with Greater Melbourne shows that there was a smaller proportion of households who owned their dwelling; a smaller proportion renting their dwelling; and significant proportion who are purchasing. Changes in interest rates could have significant impacts on the housing needs of Melton’s resident home purchasing population.

Table 18 – Housing tenure in the City of Melton compared with Greater Melbourne

| Tenure | City of Melton | Greater Melbourne |
|-----------------|----------------|-------------------|
| Owned | 20.9 | 28.7 |
| Mortgage | 50.5 | 35.6 |
| Rent | 21.7 | 29.2 |

Of the dwellings rented within the City of Melton only 0.9 per cent identify as social housing compared with 2.3 per cent in Greater Melbourne.

The types of dwelling shows that the overall majority are single dwellings as shown below:

Table 19 – Dwelling types City of Melton compared with Greater Melbourne (2021 ABS Census)

| Type | City of Melton | Greater Melbourne |
|----------------------------------|----------------|-------------------|
| Separate House | 90.2 | 65.1 |
| Medium density | 8.8 | 21.6 |
| High density | 0.6 | 12.8 |
| Caravan, cabin, houseboat | 0.2 | 0.1 |
| Other | 0 | 0.3 |

It also indicates that the size of the dwelling is significantly larger than Greater Melbourne with just over 5 per cent being 1- or 2-bedroom dwellings.

Table 20 – Dwelling size (via bedrooms) City of Melton compared with Greater Melbourne (2021 ABS Census)

| No. of Bedrooms | City of Melton | Greater Melbourne |
|-----------------|----------------|-------------------|
| 1 | 0.9 | 6.0 |
| 2 | 4.6 | 19.7 |
| 3 | 37.2 | 38.0 |
| 4 | 44.8 | 26.0 |
| 5 or more | 6.7 | 5.6 |

The household composition in the City of Melton in 2021, speaks to families. Almost 60 per cent were families (either couples or lone parents) with children. Melton is over 11 per cent higher in couples with children than Greater Melbourne and 3 per cent higher for one parent families.

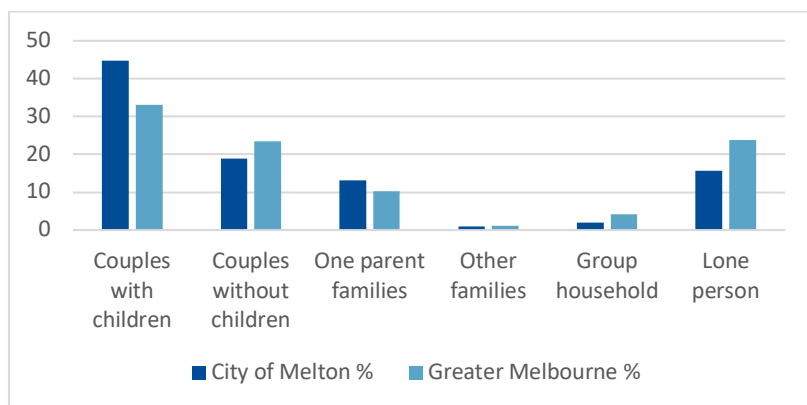


Figure 8 – Family composition City of Melton compared with Greater Melbourne (2021 ABS Census)

7.3 POPULATION AND HOUSING PROJECTIONS FOR MELTON

The growth in households in Capital Cities in Australia, particularly Melbourne, by those in the 20 – 35 age groups in the moderate income range is shown in the large increases in rental housing by private landlords from the 2011 – 2016 census data. The 20 – 35 year age group is typically the age at which households are formed.

The City of Melton with id consulting¹² has a population forecast for 2022 is 216,389 and is forecast to grow to 450,823 by 2051. Over the period this represents growth of 108%. Households will grow from 45,339 (2021 census data) to a forecast 139,106. The average household size will grow from 3.08 people to 3.1 in 2031 before it starts to decline in 2041.

Between 2021 and 2031, the age structure forecasts for City of Melton indicate a 51.6 per cent increase in population under working age, a 62.5 per cent increase in population of retirement age, and a 53.3 per cent increase in population of working age.

The changes to the population in age groups over the 2021 – 2051 period are shown below in the chart. It demonstrates the need to consider a variety of household sizes as the population ages.

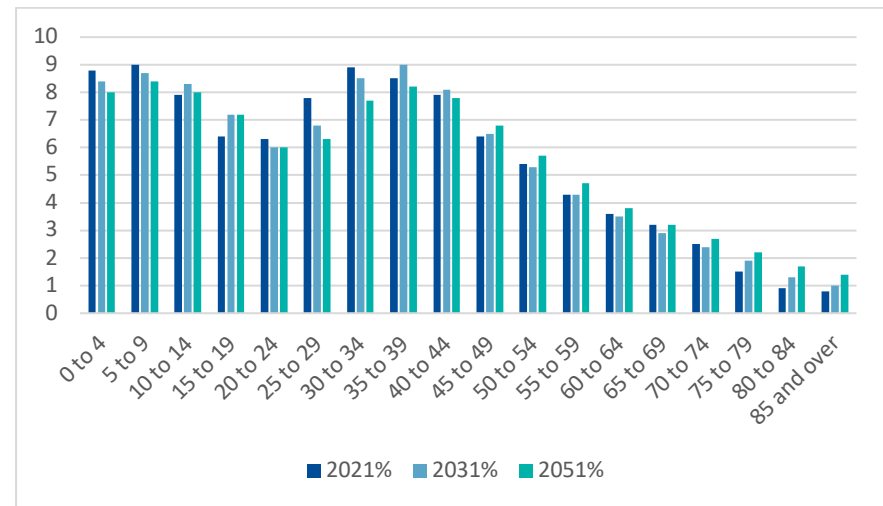


Figure 9 – Forecast age structure 2021-2051 – 5 year age groups

¹² <https://forecast.id.com.au/melton>

The forecast household types show a continuing dominance of couples with children.

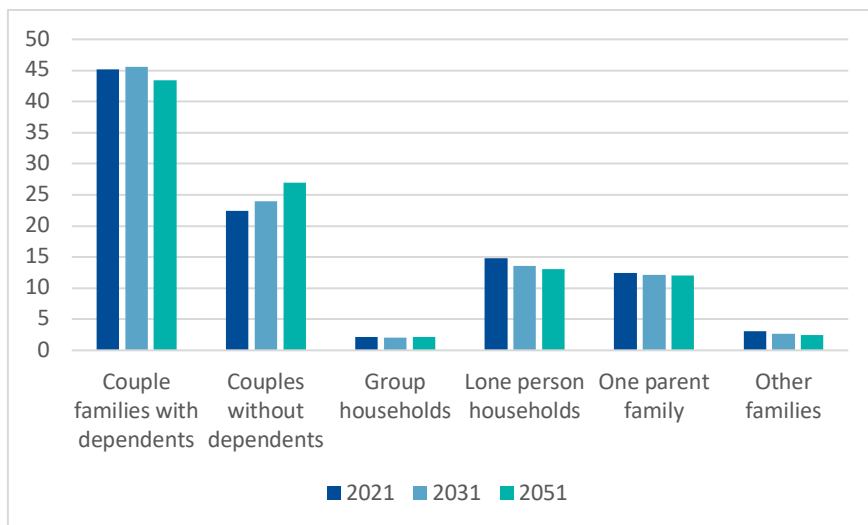


Figure 10 – Forecast household types 2021 - 2051

7.4 THE COST OF HOUSING IN MELTON

The Victorian Property Sales Report, December 2021 by the Victorian Valuer General detailed the average purchase price of dwellings in Melton suburbs as follows:

Table 21 – Average purchase price of a dwelling in Melton (VGV Dec 2021)

| Suburb | House (\$) | Unit (\$) |
|------------------|----------------|----------------|
| Burnside Heights | 740,000 | |
| Caroline Springs | 750,000 | 460,000 |
| Melton | 496,300 | 359,600 |
| Taylors Hill | 911,000 | 520,000 |
| AV COST | 724,325 | 446,533 |

These suburbs are chosen above recent growth area precincts in the Melton corridor due to the absence of unit development in recent growth areas.

Homes Victoria’s Rental Report for the June 2022 quarter detailed the average rental costs as follows:

Table 22 – Average weekly rental in Melton

| Size | Melton | |
|-------|--------|-------|
| | Houses | Units |
| 1-bed | | 325 |
| 2-bed | 330 | 290 |
| 3-bed | 350 | |

Homes Victoria, Sept 22 Rental Report noted that 45.5 per cent of recent rentals were affordable.

If we assume that purchasers are required to have a 10 per cent deposit and all settlement costs, the mortgage costs per month for a 30 year mortgage at 5.69 per cent interest rate are:

Table 23 - Mortgage costs per month based on the average price of dwellings

| Suburb | House (\$) | Unit (\$) |
|------------------|------------|-----------|
| Burnside Heights | 3,885 | |
| Caroline Springs | 3,914 | 2,407 |
| Melton | 2,609 | 1,885 |
| Taylors Hill | 4,755 | 2,725 |

There is broad support for the concept that individuals and households should spend no more than 30 per cent of income on housing costs. The position of 30 per cent was established by AHURI (Yates and Gabriel, 2006) and, for example, the recently adopted definition in Queensland's Planning Regulations.

So, what does this mean in terms of affordability and pricing for housing? The table below outlines what 30 per cent of income represents for rental or mortgage payments, in \$5,000 increments.

Table 24 Housing cost and incomes based on low to moderate income ranges on \$5,000 increments

| Income (\$) | Housing cost @ 30% of income (\$) | | | |
|-------------|-----------------------------------|-----------|----------|-----------|
| | Per week | Per annum | Per week | Per month |
| 577 | 30,000 | 173 | 750 | 9,000 |
| 673 | 35,000 | 202 | 875 | 10,500 |
| 769 | 40,000 | 231 | 1000 | 12,000 |
| 865 | 45,000 | 260 | 1125 | 13,500 |
| 962 | 50,000 | 288 | 1250 | 15,000 |
| 1058 | 55,000 | 317 | 1375 | 16,500 |
| 1154 | 60,000 | 346 | 1500 | 18,000 |
| 1250 | 65,000 | 375 | 1625 | 19,500 |
| 1346 | 70,000 | 404 | 1750 | 21,000 |
| 1442 | 75,000 | 433 | 1875 | 22,500 |
| 1538 | 80,000 | 462 | 2000 | 24,000 |
| 1635 | 85,000 | 490 | 2125 | 25,500 |
| 1731 | 90,000 | 519 | 2250 | 27,000 |
| 1827 | 95,000 | 548 | 2375 | 28,500 |
| 1923 | 100,000 | 577 | 2500 | 30,000 |
| 2019 | 105,000 | 606 | 2625 | 31,500 |
| 2115 | 110,000 | 635 | 2750 | 33,000 |
| 2212 | 115,000 | 663 | 2875 | 34,500 |
| 2308 | 120,000 | 692 | 3000 | 36,000 |
| 2404 | 125,000 | 721 | 3125 | 37,500 |
| 2500 | 130,000 | 750 | 3250 | 39,000 |
| 2596 | 135,000 | 779 | 3375 | 40,500 |

If we apply the current GIC orders for income groups as outlined in Table 3 of this report – who can afford to purchase a dwelling in Melton – only those on families on moderate incomes can afford to purchase a unit in Melton.

Table 25 - Capacity to purchase dwellings in Melton

| Income | Burnside Heights | | Caroline Springs | | Melton | | Taylors Hill | |
|-----------------|------------------|------|------------------|------|--------|------|--------------|------|
| | house | unit | house | unit | house | unit | house | unit |
| Single | | | | | | | | |
| Very low | X | X | X | X | X | X | X | X |
| Low | X | X | X | X | X | X | X | X |
| Moderate | X | X | X | X | X | X | X | X |
| Couple | | | | | | | | |
| Very low | X | X | X | X | X | X | X | X |
| Low | X | X | X | X | X | X | X | X |
| Moderate | X | X | X | X | X | ⊙ | X | X |
| Families | | | | | | | | |
| Very low | X | X | X | X | X | X | X | X |
| Low | X | X | X | X | X | ⊙ | X | X |
| Moderate | X | | X | ⊙ | ⊙ | ⊙ | X | ⊙ |

The question is then what discount to the cost of housing is required to make housing affordable to households on moderate incomes to make it affordable for purchase. Applying the income ranges as per the GIC Orders in Table 3 – GIC orders for income ranges associated with affordable housing (July 2022) Greater Melbourne and the average cost of housing purchase as the Table 21 – Average purchase price of a dwelling in Melton (VGV Dec 2021), the following discount is required:

Table 26 - Discount required for moderate income households to purchase dwellings

| Moderate income range (annual) | | |
|---|-----------|-----------|
| Single adult | \$42,681 | \$64,020 |
| Affordable purchase price | \$250,000 | \$390,000 |
| Discount for a unit | 44% | 16% |
| Couple, no dependents | \$64,031 | \$96,030 |
| Affordable purchase price | \$390,000 | \$570,000 |
| Discount for a house | 85% | 27% |
| Family (with one or two parents) and dependent children | \$89,631 | \$134,450 |
| Affordable purchase price | \$540,000 | \$810,000 |
| Discount for a house | 34% | |

If we apply the current GIC orders for income as outlined in Table 3 of this report – who can afford to rent a dwelling in Melton – it is apparent that very low income households, cannot afford to live in Melton without assistance. Opportunities for singles only exist if the person is at the top of the moderate income earners, with opportunities for low income couples and families limited to units. Only moderate income families have an opportunity to rent a dwelling in Melton without entering housing stress.

Table 27 - Capacity to rent in Melton

| Income | 1b unit | 2b unit | 2b house | 3b house |
|---------------|---------|---------|----------|----------|
| Single | | | | |
| Very low | X | X | X | X |
| Low | X | X | X | X |
| Moderate | ⊙ | ⊙ | ⊙ | ? |
| Couple | | | | |
| Very low | X | X | X | X |
| Low | ⊙ | ⊙ | ⊙ | ? |
| Moderate | ⊙ | ⊙ | ⊙ | ⊙ |
| Family | | | | |
| Very low | X | ⊙ | X | X |
| Low | ⊙ | ⊙ | ⊙ | ? |
| Moderate | ⊙ | ⊙ | ⊙ | ⊙ |

7.5 AFFORDABLE HOUSING SHORTFALL

The red boxes show the number of eligible households across household types that fall under the affordable housing definition.

Methodology

- Adjusted 2021 ABS census income bands for households qualified for affordable housing via GIC Ministerial Notice (Table 3).
- Remove Outright Owners from eligible households leaving only renters and those with mortgages.
- All households will achieve an income – nil incomes removed.
- ABS special request referencing ABS - 2021 Census 2,958 households in mortgage stress – 5.1 per cent.
- Homes Victoria Affordable Rental Monitor, September 2022 only 45.5% of rented dwellings were affordable.

Table 28 – GIC Eligible households from 2021 ABS Census

| | Single | Couple family | Family households |
|---------------------|--------|---------------|-------------------|
| \$1-\$149 | 142 | 107 | 88 |
| \$150-\$299 | 85 | 76 | 184 |
| \$300-\$399 | 113 | 80 | 228 |
| \$400-\$499 | 255 | 231 | 503 |
| \$500-\$649 | 57 | 164 | 687 |
| \$650-\$799 | 567 | 1031 | 942 |
| \$800-\$999 | 708 | 588 | 1240 |
| \$1,000-\$1,249 | 850 | 606 | 1654 |
| \$1,250-\$1,499 | 1105 | 732 | 2101 |
| \$1,500-\$1,749 | 652 | 492 | 1832 |
| \$1,750-\$1,999 | 793 | 551 | 1926 |
| \$2,000-\$2,499 | 1473 | 1372 | 4063 |
| Eligible households | 2777 | 4107 | 15448 |

In 2021, there were, 57,536 households, of which 22,332 were eligible under the GIC Orders.

| | |
|--|--|
| Total households via the 2021 census data | 57,536 |
| Estimated number of GIC income households | 22,332 |
| Assume that 20.9% of GIC households own their property Table 18 | 4,667 |
| Assume that 50.5% of GIC households own their property Table 18 | 11,277 |
| Assume that 21.7% of GIC households own their property Table 18 | 4,846 |
| ABS special request referencing ABS - 2021 Census 2,958 households in mortgage stress | 2,958 |
| Sept 22, only 45.5% of rental affordable – therefore 54.5% unaffordable to GIC renters | 2,641 |
| Total requirement for affordable housing | 5, 599 or 9.7% of all dwellings in Melton |

8 CONSULTATION

8.1 ENGAGEMENT WITH DEVELOPERS

Discussions were held with five developers who conduct work in the Melton Council area. The views of the developers on the topic of the provision of Social and Affordable Housing were divergent.

Four of the developers noted that the organisations had provisioned for a requirement of Social and Affordable Housing when purchasing the land for the proposed developments.

One developer noted that its strategy is to have a price penetration (refer section 5) method and aligning land values with Melton. This approach was taken partly to have affordable housing for purchase but also to seek significant early momentum to allow for the required population to trigger the provision of social amenity and infrastructure.

A developer noted that an existing development had provided a 20 per cent discount to attract key workers to Melton; however, this was not well prescribed. It was also noted that the budget allowed for implementing Social and Affordable Housing. The social housing would require further subsidy from third parties to be achieved.

Discussions on the implementation of affordable housing varied, with some developers believing diversity was the key. Others noted that very clear and early direction on what the likely cost would be and allowances for housing types was required. Further, one developer suggested that the allowances should be clear between Social and Affordable Housing because both were needed to build diverse communities. Two developers indicated that the South Australian model was a good example that provided clear direction.

All developers indicated that it was essential to streamline planning provisions more broadly, particularly for small lot housing (including removing the requirements for planning permits). Support for density bonuses was agreed.

Further suggestions related to relaxing of development contributions and council standard designs for the provision of infrastructure.

There was clear direction from the developers that the requirement for Social and Affordable Housing must allow for the provision of privately initiated outcomes for affordable housing including:

- Purchasing at a discount to market for qualified buyers
- Affordable build to rents with a time cap on the outcome
- Shared equity – should this become a commercial model.

Developers agreed that the provision of affordable housing was beyond the provision of social housing.

8.2 ENGAGEMENT WITH COMMUNITY HOUSING

All states, excluding Victoria, have endorsed and agreed to the National Housing Regulator. The Regulator manages the compliance and financial readiness of the Registered Housing Entities. The Regulator has the Housing Associations divided into Tier 1 and Tier 2. The division is based upon capacity to grow, financial resources and management of tenancies.

Housing Associations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or State Housing Regulators.

Tier 1 Housing Associations are seen by Government as organisations that:

- Own, manage and develop affordable rental housing
- Provide housing support and assistance to clients
- Are viable businesses, partnering with government and the community
- Have met registration criteria and meet ongoing regulatory compliance against performance standards.

Housing Associations have differing rent policies, starting from 25 per cent to 30 per cent of pension income and increasing to 75 per cent of market rent/30 per cent of employment income.

To qualify to be a Housing Association or Provider in Victoria, the organisation must be a registered entity. In Victoria there are:

- 10 Housing Associations (Tier 1)

- 33 Housing Providers (Tier 2).

Housing Associations are established for growth and development.

The Housing Associations who were interviewed are:

- Aboriginal Housing Victoria
- Haven Homesafe
- Housing Choices Australia
- HousingFirst
- Women's Housing Limited (WHL).

All but Haven and HousingFirst had properties in the city of Melton and all declared that they would welcome properties in Melton given the identified growing need.

Discussions were held with each organisation to understand:

- What the housing needs are
- What incentives, etc. do they need to add housing in Melton Council?
- Hidden areas of need (those who are not registered but would qualify) on the Victorian Housing Register (VHR).

The need for housing for members of the community was great and all believe that the need is not clearly captured on the VHR. Many people requiring urgent housing will be registered only to be removed once the housing is allocated and so that the actual total number on the VHR in need does not change significantly. Further, to register on the VHR you can only register in areas where there are actual dwellings. For some members of the community there are no dwellings in the area they live and so they will not register. This is a problem in Melton as the community is aware that there is limited social housing available, so they do not register as requiring housing.

For Housing Associations to be able to commit to developing social housing in any municipality there will be an element of funding required. This applies to the City of Melton. Any property transaction would be dependent upon the amount of funding and the cost of development. The less the funding and the higher the development costs will have an impact on the type of tenants who could be housed at a site. For example, if there is limited funding, there would be more affordable rents and fewer social rents. The current funding rounds are focused on 75 per cent of tenants in the new dwellings being from the high priority waiting list.

The Housing Associations noted that the VHR was not comprehensive and does not capture the full extent of need. Areas that are not captured on the VHR include

women and children escaping family violence (as they only register once they have left the household). WHL noted that it had undertaken qualitative research in areas where mortgage and housing stress can cause an increase in family violence.

Other areas that were not fully captured were low income workers who often do not realise that they qualify or are too embarrassed to apply. Housing Associations noted that the VHR is a representation, but the need is far greater than the supply. The need for social housing is also growing in several groups, including those over 55 years of age who have had paying work and rented while a member of the working community but in retirement can no longer afford a private rental.

Other groups noted were low paid families and women and children after separation.

The clear feedback from all of the Housing Associations is that the VHR is not reflective of the actual need for housing. How big is the hidden demand? Some have suggested that it could be as high as 20 per cent.

In addition, the Housing Associations noted that:

- Affordable and social housing needs to be located near established amenities
- Preference for medium density (this has lower maintenance costs)
- Any planning scheme requirements should provide optionality (i.e., land transfer, cash or purchase at a discount)
- Any title encumbrances need to be carefully considered to ensure they do not impact the capacity of the organisation to seek finance
- Consider how to achieve best value for money and leverage opportunities.

8.3 ENGAGEMENT WITH SERVICE PROVIDERS

Interviews were held with key service providers within the City of Melton. The clear outcome was the overwhelming requirement for affordable housing. Each agency had a slightly different take on the needs as follows:

| | |
|-------------|--|
| Mind | Mind is one of the country's leading community-managed specialist mental health service providers with a range of residential, mobile outreach, centre-based and online services. Mind support people living with the day-to-day |
|-------------|--|

impacts of mental illness, as well as their families, friends and carers.

Mind provide practical and motivational support that helps people to develop the skills they need to move on, thrive and improve the quality of their lives. This includes helping people with the things that make them feel strong and healthy, such as being in control of their life, being resilient and participating in their community. Mind also work with people to address poverty, housing, education and employment. It is an approach to mental health and wellbeing that is based on a foundation of human rights and looks at the whole person in the context of their daily life.

Mind noted that there was an increasing need for appropriate and affordable housing for its client base. The rising cost of rents (and not income) for many of Mind's clients meant that they were quite often priced out of housing. That, coupled with some of its clients having challenging behaviours, has seen many struggle for affordable and secure housing.

The problem is widespread and does include its clients in the west of Melbourne, including Melton. Mind noted that clients who were surrounded by family had higher success rates with housing and health than those who did not have family and friend support networks.

Mind notes that the need for additional social housing providing those with a disability with long-term security is critical to its clients living happy and full lives.

Mind has suggested that the shortfall of housing for its clients in Melton would be in the vicinity of 20 - 30 dwellings, some of which would need to be specifically designed to meet its clients' needs.

Salvation Army

Salvation Army is the social services delivery arm of the Western Metro Homelessness Service. It delivers a broad range of services, including but not limited to:

- Homelessness Support Service
 - Housing Services
 - Mental Health Services
-

- Community and Advocacy
- Victims Assistance
- Employment Services
- Counselling and Family relationships
- Children, Youth and Family Services.

The need for appropriate and affordable housing is great in the western suburbs of Melbourne. The increased employment in areas Melton and other areas means that those employees can pay much higher rents, which is forcing those on low incomes out of housing. This is compounded by not building enough housing.

The Salvation Army has identified the housing needed:

- Youth housing – safe and secure housing for young people who are leaving difficult family dynamics
- Mental health – housing that is secured for those with mental illness – quite often a person with mental health issues will not be able to secure rentals
- Family violence – a range of crisis, transitional and long-term options.

Caroline Chisholm Society

The Caroline Chisholm Society (The Society) works with women to keep families together and prevent the involvement of child protection services in the lives of women and their children.

In achieving this, the organisation is clearly focused on supporting women with their pregnancy and early parenting to create safe and nurturing environments for infants and young children.

The Society works with the whole family to support secure attachment, optimise child outcomes through parenting interventions, prevent and alleviate the impacts that poverty, homelessness, family violence and issues with mental health have on parent and child wellbeing.

The Society noted that there is an increasing need for safe and secure housing for women, particularly in two areas:

- Young women who have fallen pregnant and are not supported by families
 - Women and children escaping family violence.
-

9 AFFORDABILITY GAP ASSESSMENT

9.1 HOW TO DELIVER THE AFFORDABLE HOUSING

How does a developer reconcile what the affordable housing contribution is?

The initial requirement is to understand the calculable contribution. It is acknowledged that the contribution maybe based on a subdivision basis.

10% of dwellings at a 25% discount to market for a 3-bedroom dwelling.

If the development has 100 dwellings, the price of 3-bedroom home including all land and contributions is \$500,000 – the value of contribution is:

10 dwellings x (25% of \$500,000) = \$1,250,000.

How is this applied to the affordable housing outcomes described in section 3.2?

Affordable Purchase

Noting the criteria in section 3, options may include:

| Dwellings | Market Price | Sale Price | Discount as % | Total of contribution |
|-----------|--------------|------------|---------------|-----------------------|
| 10 | 500,000 | 375,000 | 25 | 1,250,000 |
| 15 | 500,000 | 416,667 | 17 | 1,250,000 |

Affordable Rental

Noting the criteria in section 3, the affordable rental via build to rent could be:

5 x 1-bed dwellings rented at 75% of market rent

5 x 2-bed dwellings rented at 75% of market rent

4 x 3-bed dwellings rented at 75% of market rent

Period of rental is 25 years.

The calculation would be based on a Net Present Value.

Social Housing

The dwellings could be sold to a registered housing agency at a discount and an option may include:

| Dwellings | Market Price | Sale Price | Discount as % | Total of contribution |
|-----------|--------------|------------|---------------|-----------------------|
| 4 | 500,000 | 187,500 | 63 | 1,250,000 |
| 5 | 500,000 | 250,000 | 50 | 1,250,000 |

Cash contribution

A cash contribution could be provided to a nominated trust fund for the specific purposes of the provision of social housing in Melton.

What is not affordable housing is providing a diversity of housing that is deemed affordable to households within the GIC Orders without any process to ensure that the dwellings are to be occupied by households that meet the eligibility criteria of the GIC Orders. There must be some actual contribution to affordable housing for households that meet the GIC Orders.

10 AFFORDABLE HOUSING PROPOSAL

10.1 RECOMMENDED AFFORDABLE HOUSING TARGET

The need currently exists for the delivery of dwellings that meet both the affordable and social housing requirements of the community in the City of Melton. As shown in Section 7.5 of this report, the 2021 census data demonstrates that 9.7 per cent of households in Melton qualify for affordable housing.

Table 29 - Percentage of households in Melton who qualify for affordable housing from 2021 census

| | Singles | Couples | Families |
|-----------------|---------|---------|----------|
| Very low income | 24% | 6% | 5% |
| Low income | 14% | 24% | 14% |
| Moderate income | 21% | 44% | 48% |

This is verified by the Community Housing Industry Association, together with the University of NSW, December 2022 report *Quantifying Australia's unmet housing need* – nominates the unmet need in the west of Melbourne as 9.4 per cent.

The provision of Social and Affordable Housing needs to be balanced with the commerciality of providing the affordable housing and the cost of development.

10.2 IMPLEMENTATION IN THE PLANNING SCHEME

Having regard to the analysis in this report, the proposed target and the particularly the PSPs focus on voluntary provision of affordable housing, the following planning scheme amendment content is proposed:

10.2.1 PRECINCT STRUCTURE PLAN CONTENT

Future Place-based Plan

Identify the desired locations for density and diversity as per T1.

Housing Plan

Identify the desired locations for density and diversity as per T1. Annotate high density areas and areas in and adjacent activity centres as 'most preferred location for affordable housing'.

Specify 1- and 2-bedroom homes, preferably without onsite car parking, as a distinct diversity typology.

Housing table

Insert a row stating the precinct's affordable housing target expressed as a percentage of the expected precinct residential yield.

PSP guideline or annotation to Housing Plan

Affordable housing should have (if possible) access to:

- Within 800m - retail facilities (supermarket, butcher, fruit and veg), reliable frequent public transport, community services, recreational services, medical centre, primary school
- Within 1.5km – secondary college and on bus route
- Within 2km – recognised family violence support service or a service able to undertake site visits, recognised specialist support services, such as mental health or drug and alcohol
- Within 8km – a major hospital.
- Established employment opportunities within the area.
- Activity centre framework.

10.2.2 URBAN GROWTH ZONE CONTENT

Example application requirement for housing affordability statement

[The following application requirements apply to an application for a permit under Clause 37.07, in addition to those specified in Clause 37.07 and

elsewhere in the scheme and must accompany an application, as appropriate, to the satisfaction of the responsible authority:]

- An housing affordability statement that includes or describes:
 - the current Governor in Council income ranges;
 - the amount of income equivalent to 30% of the income ranges;
 - the number of affordable housing dwellings resulting from application of the affordable housing target in the precinct structure plan to the subdivision;
 - independently sourced recent per sqm land sales rates for the municipality, the suburb, and where available, the precinct;
 - independently sourced recent per sqm house building rates in Victoria;
 - a reasonable indication of the expected housing floorspace each lot will accommodate in sqm;
 - any lots to be provided to Victoria's Director of Housing or a community housing agency;
 - a copy of any agreement or draft agreement proposed under s 173 of the Act for the provision of affordable housing by a third party in association with the development;
 - the percentage of lots expected to be within the definition of affordable housing accounting for the cost of achieving occupancy;
 - Identify a process of how Housing Associations will be engaged and the nature of the product that will be delivered. The process must provide certainty that the Housing Association has the economic means to deliver the appropriate affordable housing outcome within an agreed timeframe;
 - How the housing's affordability will be protected over time.

As appropriate, the statement should describe the whole of a development project and be updated to track each stage of subdivision and submitted with the relevant applications.

Conventionally an application requirement as above would feed into a permit condition by the responsible authority require reconciliation of the statement before the issue of a statement of compliance for each stage subdivision as relevant as below.

Example subdivision permit condition reconciling housing affordability statement

A permit to subdivide land, other than to subdivide a building or car space, could include a condition requiring:

- Before the issue of a statement of compliance, a written statement reconciling the current expected affordability outcomes of the subdivision with the housing affordability statement submitted with the application. If no affordability statement was submitted with the application, a housing affordability statement must be prepared and submitted to the satisfaction of the responsible authority.

Example condition requiring a s173 agreement where there is a proposal to deliver an affordable housing contribution through a third party

Where a voluntary commitment to provide affordable housing through provision of housing by a Registered Housing Agency or the Director of Housing, a permit includes a condition requiring the landowner to enter into a s173 agreement through negotiation with the Registered Housing Agency.

Where an affordable housing agreement is to be entered into it should:

- 1) Be an agreement under Section 173 of the P&E Act; and
- 2) Be agreed between the owner, or prospective owner, of land; the responsible authority; and any relevant housing entity e.g. registered housing agency, Director of Housing;
- 3) Contain the following terms:

The landowner must contribute towards affordable housing (Affordable Housing Contribution) to the satisfaction of the responsible authority.

For the purposes of the agreement "affordable housing" is to have the same meaning as any definition of that phrase contained within the Act.

The agreement must include terms which provide for the manner in which the Affordable Housing Contribution is to be made, including when and how the contribution is to be made.

The agreement must provide for an Affordable Housing Contribution defined as:

- 3) # per cent of dwellings provided by provision of dwellings at a 25 per cent discount of the current average annual price of a three bedroom house within Melton to a registered housing provider;

or

4) Translation of the value that would otherwise be provided by the landowner under item (3), to:

- vii) Provision of land or dwellings at nil consideration to a registered housing agency;
- viii) Provision of land or dwellings at a discount to market value to a registered housing agency;
- ix) Long-term leasing of dwellings to eligible households at a discount to market rent,
- x) Purchasing of dwellings to eligible households at a discount to market rent on long term covenant;
- xi) The equivalent cash contribution to a recognised trust for the provision of affordable housing in the City of Melton; and/or
- xii) Any other model as agreed by the responsible authority.

If option (4) is pursued:

- The value of the Affordable Housing Contribution is to be calculated by reference to the dwellings that are agreed to be [transferred at nil consideration or sold at a discount] as agreed with a registered housing agency, or the median value of a new home in Melton for the preceding 12 months as published by the Victorian Valuer General; and
- The term of use and discount is to be determined with regards to the Net Present Value of the Contribution and the number of dwellings to be facilitated.

The Section 173 Agreement should subsequently set out further details including:

- Dwelling mix;
- Term of use;
- Timeframes for delivering the obligation;
- How the delivery model will result in dwellings that are appropriate for eligible households with regards to each of the matters under the Act.

10.2.3 PLANNING POLICIES

Given the ability of the PSP and UGZ schedule to accommodate the required implementation mechanisms, this report does not propose changes to the Planning Policy Framework. This would be appropriate where based on a municipal wide or growth area strategy for affordable housing.

10.2.4 ZONING CONSIDERATIONS

To assist with the delivery of housing diversity, the Residential Growth Zone and Mixed Use Zone should be applied to T1 areas with reference to the housing plan.

Areas with an applied Commercial 1 Zone, such as local town centres, should also be target areas for affordable housing, having regard to the locational preferences of the Ministerial notice and the PSPGs.

10.2.5 THE USE OF COUNCIL AND STATE GOVERNMENT LAND

Opportunities to use surplus or underused Council or State land may arise in the precinct or elsewhere. Parties should be alive to the possibility of opportunities for:

- Contributing to affordable housing developments in proximity to the precinct on Council or State land
- Developing affordable housing co-located on Council land with Council facilities such as local community, health and recreation facilities.

10.2.6 RECOGNITION OF SOCIAL INFRASTRUCTURE PROVISION

Planning legislation allows a planning authority to grant concessional levy treatment for specified types of development by listing the development type in the sub-clause *Land or development exempt from payment of an infrastructure contribution* in the precinct schedule to Clause 45.11 *Infrastructure Contributions Overlay*. Where a part concession is contemplated, the wording inserted in the clause should be drafted appropriately.

Collecting agencies administering an ICP, independent of the planning authority for a PSP planning scheme amendment, may also accept alternative contributions in lieu of an ICP cash component owing under the relevant ICP; see s 46GX of *Planning and Environment Act*.

It is a matter of policy for the planning authority or collecting agency whether to include such a provision having regard to its broader obligations, the needs of the local community and equitable development outcomes.

10.2.7 DEVELOPMENT INCENTIVES SUCH AS ADDITIONAL BUILDING HEIGHTS/DENSITIES

The above requirement should form the base case for provision. However, development bonuses can provide incentive for voluntary provision of affordable housing. This takes the form of a planning scheme provision allocated relative increases in development rights to developers prepared to provide more than the required volume of affordable housing.

Outcomes that may form the basis for an affordability development bonus in Melton East are:

- Provision of 1- and 2-bedroom homes
- Provision of 7 star NatHers; 6 star greenstar and Gold level LHA homes
- Provision of homes adjacent Leakes Road / Rockbank MAC
- Provision of social housing.

Bonuses that might be offered are:

- As-of-right acceptance of alternative design outcomes to those expressed in the PSP or relevant residential design provision. Design alternatives should maintain tenure blindness. To avoid doubt appropriate design alternatives for affordable housing can be specified in the PSP
- Car parking dispensations
- Density increase / lot size reduction / additional height
- Streamlined facilitation of non-residential uses on the same lot in residential areas i.e., particularly small-scale social and educational services that are often sought to service onsite residents but also appropriately scaled childcare, indoor recreation, employment/training and medical uses.

Existing VPP provisions to effect these bonuses can be implemented by:

- Allowing place-specific additional height and density through application of the Residential Growth Zone and Mixed Use Zone
- Application of the Small Lot Housing Code
- Ensuring the PPTN map referenced in the planning scheme is updated to include proposed PPTN in the precinct and therefore triggering the appropriate car space reductions
- Avoiding imposing additional car space requirements to the 1 car per 1/2 bedroom home rate under Clause 54 and 55. Ideally discretion could be

explicitly provided in the PSP allowing the responsible authorities to reduce this rate as appropriate

- Application of Clause 53.20 for streamlined processing of social housing.

10.3 IMPLEMENTATION OF AGREEMENT

A Section 173 Agreement will need to be entered between the developer and the Council. The Section 173 will outline the calculable value of the affordable housing contribution to be made.

The question for many models then becomes how you monitor that the affordable housing is being directed to those in need. The following are offered as solutions:

1. How does Council assure itself that the affordable housing contribution has been made?

To achieve this Urbanxchange believes that an appropriate position would be:

- A contribution be made to an active Housing Association/Provider in Melton delivering dwellings
- The developer/landowner will advise Council what affordable housing contribution is being provided in each stage, prior to the commencement of construction
- The Housing Association will advise Council that the stage contribution has been contributed and the relevant proof provided to Council
- The Registered Housing Association write to Council and confirm that the stage contribution has been used as an equity contribution to the dwellings.

2. If Shared Equity, Rent to Buy or Build to Rent is agreed how does Council satisfy itself that the purchasers/residents are eligible.?

To achieve this Urbanxchange believes that an appropriate position would be:

- The purchaser/tenant of the affordable housing must meet the Victorian Governments eligibility criteria as published in the GIC Orders at the time of occupancy. This will be proven by evidence of income and a statutory declaration by the occupant noting income compliance at or below the threshold incomes with the GIC Orders at the time of

occupancy. The property manager will have copies as evidence of both the income and statutory declaration. It is noted that it is a criminal offence to lie on a statutory declaration. Occupants of the dwellings should pay no more than 30 per cent of income on affordable housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. In this instance, the affordable housing is targeted at moderate income earners

- If the property is rented, it can be no more than 75 per cent of market rent. Market rent can be defined by the market rents provided by the Real Estate Institute of Victoria for Melton or as assessed by a valuer in a valuation
- The question then is how the council get comfort that the 75 per cent is fair and reasonable. It is proposed that the position taken by NRAS subsidies be adopted – that is, that every 5 years the property manager commissions a valuation that notes what the full rent for the apartments would be. A copy can be provided to Council
- The items that should be critical to the affordable housing tenant experience are:
 - That all the property and apartments are maintained to a high standard
 - The leases all comply with the Residential Tenancy Act
 - The occupants of the dwellings, at the commencement of the lease, meet the requirements of the GIC Orders at the time of occupancy
 - The rent charged is affordable, being no more than 75 per cent or market rent or 30 per cent of income.

The question then is how can Council get comfort that the above listed activities are occurring? It is proposed that the property manager complete an annual attestation to the effect that all the above criteria are being met. The attestation can be submitted to Council annually.

3. If affordable purchase is agreed, how does Council satisfy itself that the discount is applied and maintained and that the occupants are eligible?

To achieve this Urbanxchange believes that an appropriate position would be:

- The purchaser of the affordable housing must meet the Victorian Governments eligibility criteria as published in the GIC Orders at the time of occupancy. This will be proven by evidence of income and a statutory declaration by the occupant noting income compliance at or below the threshold incomes with the GIC Orders at the time of occupancy
- A covenant on title, similar to those recently implemented in Nightingale Projects, have been developed that provide a formula for the resale of the property that recognises capital growth for each purchaser, but also recognises that the market opportunity provided to the first purchaser should be transferred. In addition, each purchaser must be an owner occupier.
- A Statutory Declaration process be implemented on purchasers purchasing the properties that requires:
 - Over 18 years of age
 - Resident of Melbourne
 - Not own property or land
 - Currently be living in rental accommodation (public or private), or with family or friends, or be homeless.

11 ATTACHMENT 1 – SELECTED HOUSING POLICIES FROM THE MELTON PLANNING SCHEME (NOV 2022)

16.01-1S Housing supply

Objective – To facilitate well-located, integrated and diverse housing that meets community needs.

Strategies

Ensure that an appropriate quantity, quality and type of housing is provided, including aged care facilities and other housing suitable for older people, supported accommodation for people with disability, rooming houses, student accommodation and social housing.

Encourage higher density housing development on sites that are well located in relation to jobs, services and public transport.

Support opportunities for a range of income groups to choose housing in well-serviced locations.

Clause 16.01-2S Housing affordability

Objective – To deliver more affordable housing closer to jobs, transport and services.

Strategies

Improve housing affordability by:

- Ensuring land supply continues to be sufficient to meet demand.
- Increasing choice in housing type, tenure and cost to meet the needs of households as they move through life cycle changes and to support diverse communities.

- Promoting good housing and urban design to minimise negative environmental impacts and keep costs down for residents and the wider community.
- Encouraging a significant proportion of new development to be affordable for households on very low to moderate incomes.

Increase the supply of well-located affordable housing by:

- Facilitating a mix of private, affordable and social housing in suburbs, activity centres and urban renewal precincts.
- Ensuring the redevelopment and renewal of public housing stock better meets community needs.
- Facilitate the delivery of social housing by identifying surplus government land suitable for housing.

Policy documents

Consider as relevant:

Homes for Victorians - Affordability, Access and Choice (Victorian Government, 2017)

16.01-4S Community care accommodation

Objective – To facilitate the establishment of community care accommodation and support their location being kept confidential.

Planning schemes should not require a planning permit for or prohibit the use of land in a residential area for community care accommodation provided no more than 20 clients are accommodated and the use is funded by, or carried out by or on behalf of, a government department or public authority, including a public authority established for a public purpose under a Commonwealth Act.

Facilitate the confidential establishment of community care accommodation through appropriate permit, notice and review exemptions.

21.08-1 Housing

21.08-3 Objectives and strategies

Objective 1 – To increase housing diversity within the City of Melton

Strategy 1.2 Facilitate a diverse range of affordable housing stock, suitable for all household types.

Strategy 1.4 Require residential subdivisions to provide a mix of lot sizes and densities to facilitate a range of housing products.

Strategy 1.5 Support innovative housing design and development.

Objective 2 – To promote affordable housing options for households of all income levels.

Strategy 2.1 Encourage the property industry to deliver a diverse range of housing options suitable for a range of income levels.

Strategy 2.2 Support a proportion of housing to be affordable housing on large development sites proximate to Activity Centres, public transport and community services.

Strategy 2.3 Require larger developments to provide a range of dwelling types and sizes.

Objective 3 To provide a sufficient range of social, retirement, aged-care and special needs housing types throughout the municipality.

Strategy 3.1 Support the development of smaller dwellings that will meet the future needs of older residents in locations close to facilities, services and public transport.

Strategy 3.2 Facilitate development proposals that meet an identified need for social housing, retirement villages and aged care.

Objective 4 – To promote opportunities for site consolidation and support more intensive residential development close to activity centres and major public transport nodes.

Strategy 4.1 Require development applications in the Residential Growth Zone to make efficient and maximum use of the site.

Strategy 4.2 Support higher density residential development in activity centres and surrounding train stations.

21.12 Housing diversity policy

Objectives

To encourage the provision of affordable housing options for households of all income levels.

To protect and enhance the neighbourhood character of residential areas where appropriate.

To facilitate a diverse range of housing to meet the needs of a diverse population and provide genuine choice in housing products.

To support increased residential densities in locations with high levels of access to infrastructure, services and transport.

To encourage innovative housing design and development that is adaptable, site responsive and environmentally sustainable.

Policy

It is policy to:

- Encourage the development of a range of housing options throughout the municipality.
- Encourage higher density development to locate in areas with high levels of accessibility to infrastructure and services.
- Encourage housing development that features innovative design and responds to the principles of sustainability.

Application Requirements

An application for residential development in the General Residential Zone, Neighbourhood Residential Zone, Residential Growth Zone and Low Density Residential Zone must be accompanied by a report that demonstrates how

the proposal addresses this policy with particular regard to the following key themes, as appropriate:

- Affordability.
- Neighbourhood character.
- Housing diversity.
- Infrastructure, services and transport.
- Housing design innovation.

GLOSSARY

| | | | |
|------------------------------------|---|---------------------------------|---|
| ABS | Australian Bureau of Statistics. | Housing Affordability | 'Housing affordability' refers to the relationship between expenditure on housing (cost of mortgage payments or rent) and household income. Housing affordability is particularly a concern for households earning in the bottom 40 per cent of incomes who have limited financial capacity to meet their housing costs. |
| AHURI | Australian Housing and Urban Research Institute. | Key worker | An employee who provides a vital service, especially in essential services such as health and education. |
| Affordable housing | Affordable Housing is housing, including social housing, that is appropriate for the housing needs of very low, low and moderate-income households. Appropriateness of housing includes reference to affordability, dwelling type, size (bedroom numbers), location, accessibility, integration and length of affordability. Affordable Housing should be priced (whether mortgage repayments or rent) so that households are able to meet their other essential basic living costs and allocated to households that meet program income and asset eligibility requirements. | NBESP | Nation Building Economic Stimulus Packages comprising the Social Housing Initiative, which resulted in the construction of approximately \$1.5 billion in low-income housing in response to the 2007/2008 global financial crises. This programme has ended, and no more funding is available. |
| Affordable housing outcomes | Affordable housing outcomes are the types of housing tenure or contribution that are achieved through the requirements of a Social and Affordable Housing plan. | NHFIC | National Housing Finance and Investment Corporation. Established by the Federal Government to manage the Bond Aggregator and other federal grants related to affordable housing. |
| Bond Aggregator | To raise money at lower rates from the wholesale bond market for not-for-profit community housing providers. It also allows Registered Housing Associations to borrow at lower rates. | NFP | Not for profit. |
| Community housing | Housing managed by not-for-profit organisations that are registered as either Housing Associations or as Housing Providers by the Australian or Victorian Registrar of Housing, | NHSC | National Housing Supply Council. |
| Co-op | A housing co-operative (or housing co-op) is a community of people who work together to meet their housing needs. Co-op members share activities in the management and running of their co-op, with opportunities for all members to participate in the co-op, according to their capacity and ability. | NRAS | National Rental Affordability Scheme. A subsidy paid to private landlords for 10 years when dwellings are rented to eligible tenants at less than 80 per cent of market rent. |
| CRA | Commonwealth Rent Assistance is a non-taxable, income supplement payment added to the pension, allowance, or benefit of eligible income support customers who rent in the private rental market. RHAs are considered to be part of the private rental market, but state-owned public housing is not. | PRADS | Permanent rental affordability discount scheme. This is a form of Build to Rent where the rents are discounted for the economic life of the building. |
| Deductible gift recipient | Deductible gift recipient status means that donations to recipients are tax-deductible by the donor. | PSP | Precinct structure plan |
| ESD | Environmentally Sustainable Design. | PSPGs | Precinct Structure Planning Guidelines: New Communities in Victoria (VPA, October 2021) |
| | | Private rental brokerage | A service to help people find and keep accommodation in the private rental market. |
| | | Public housing | Public or social housing that is owned or leased by the State Governments of Australia |
| | | Registered Housing | Registered housing agencies are not-for-profit organisations that provide affordable rental housing for low-income households, |

| | |
|------------------------------|---|
| Association (RHA) | registered as Housing Associations and maybe nominated as Tier 1, 2 or 3 by the Federal Registration process. |
| SDA | Specialist disability accommodation - . Housing for NDIS participants has three elements, housing, planning and support. All three elements are required for a successful outcome. There is a clear delineation of responsibility with the NDIA being responsible for the SDA and the relevant state governments/agencies will be responsible for the balance being support and planning. |
| SEIFA | Socio-Economic Index for Areas, produced by the ABS. |
| Shared equity schemes | Financing arrangements where the equity required for home ownership is shared between the occupant (often a former tenant) and government or a NFP community housing provider. |
| Social housing | Social housing is an umbrella term that covers both public and community housing. Its provision usually involves some degree of subsidy. |
| Tenure blind | Indistinguishable from all other dwellings |
| VPP | Victorian Planning Provisions |
| UGZ | Urban Growth Zone |