

Draft Yarra Ranges Affordable Housing Development Negotiation Framework

October 2019

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Overview of the Framework

KEY ITEM	SUMMARY
Purpose of the Framework	<p>This Framework establishes Yarra Ranges Council’s intent to facilitate Affordable Housing outcomes through agreement with a Planning Applicant through the planning assessment and approval process, including:</p> <ul style="list-style-type: none"> • The site circumstances where the policy framework is intended to apply. • The proposed Affordable Housing outcomes and delivery models. • The process of confirming an Affordable Housing outcome and reflecting an agreement in a Section 173 Agreement pursuant to the <i>Planning and Environment Act 1987</i> and/or in the planning controls.
Affordable Housing Definition	<p>Affordable Housing is defined in the <i>Planning and Environment Act 1987</i> as “housing, including Social Housing that is appropriate for the housing needs of very low, low and moderate income households.” Household income eligibility for Affordable Housing is set out in the Government Gazette and updated annually by the State Government.</p> <p>Affordable Housing includes Social Housing, other Affordable Rental Housing and Affordable Home Ownership, including Shared Equity Home Ownership.</p>
Intended Audience	<p>The intended audience for the Framework is landowners, developers and/or their representatives (‘the Planning Applicant’) considering development within the Yarra Ranges Local Government Area where the site and planning proposal align to the criteria set out within the Framework.</p>
Strategic Basis for the Framework	<p>Council is required under Section 4 of the <i>Planning and Environment Act 1987</i> to facilitate the provision of Affordable Housing through local land-use planning policy and administration. Objectives and strategies within the Yarra Ranges Planning Scheme at Clause 21.04 highlight the need to increase housing diversity and encourage Affordable Housing provision.</p> <p>The State Government supports Responsible Authorities to enter an Affordable Housing Agreement with a Planning Applicant as part of the planning approval process in response to evidence of housing need, and to securing this agreement through a Section 173 Agreement. An agreement to an Affordable Housing arrangement is voluntary.</p> <p>A range of Council policies recognise the importance of Affordable Housing to the social and economic growth and sustainability of the municipality. Council’s Vision 2020 Community Plan identifies affordable and sustainable housing as a key priority.</p> <p>The <i>Yarra Ranges Affordable Housing Background Paper, June 2019</i> confirms there is significant unmet need for Affordable Housing in the municipality with an estimated shortfall of 1,839 Affordable Housing dwellings as at 2016. The proposed Affordable Housing percentages, tenures and built form set out within the Framework are a strategic response to the evidence of need.</p>
Process and Principles	<p>The Framework sets out the principles and process of reaching an Affordable Housing agreement with Planning Applicants where the land meets the criteria set out within the Framework.</p>
Council Facilitation	<p>When appropriate, Council will facilitate and enhance the delivery of Affordable Housing outcomes by:</p> <ul style="list-style-type: none"> • Supporting Planning Applicants to understand the intended application of the Framework to a site-specific planning application. • Introducing and supporting Planning Applicants to connect with Registered Housing Agencies at the start of the negotiation process and to assisting them to understand the sector and delivery options. • Considering the application of additional value-enhancing provisions through the planning process on an individual application and site basis. • Identifying and considering opportunities to support Planning Applicants and/or their delivery



KEY ITEM	SUMMARY												
	<p>partners to attract Federal and/or State Government funding to support outcomes being delivered.</p>												
<p>Application Criteria – Site and/or Planning Characteristics</p>	<p>The Framework applies to any site within the Yarra Ranges Local Government Area where a planning permit application and/or a planning scheme amendment is lodged where the application:</p> <ol style="list-style-type: none"> 1. Seeks to increase the site’s residential density to enable an estimated 20 or more lots or dwellings and is in a location with convenient access to services, amenities and/or transport; and/or 2. Is for a site that is owned by Federal, State or Local Government and is expected to be sold to market for residential development; and/or 3. Seeks to increase the site’s residential density to enable an estimated 20 or more lots or dwellings and seeks to exceed Council’s preferred planning outcomes for the site in terms of height, density or yield; and/or 4. Seeks to increase the site’s residential density to enable an estimated 20 or more dwellings or lots and is identified by Yarra Ranges Council as a strategic development site suitable for Affordable Housing. <p>This Framework adopts the definition of a dwelling and includes development proposals for a residential village or retirement village as defined in Clause 73.03 (Land Use Terms) of the Yarra Ranges Planning Scheme.</p>												
<p>Affordable Housing Inclusion</p>	<p>The following percentage of Affordable Housing (‘Affordable Housing Percentage’) will be sought by Council as a basis for negotiation on any site and planning application that meet the criteria set out within the Framework. The percentage of Affordable Housing proposed is to be calculated with reference to the estimated future development yield (lots and/or dwellings) that is reasonably expected to result due to the planning amendment or permit approval.</p> <table border="1" data-bbox="507 1014 1118 1330"> <thead> <tr> <th data-bbox="507 1014 820 1111">Proposed site yield (estimated total number of dwellings/lots)</th> <th data-bbox="820 1014 1118 1111">Affordable Housing Percentage (proposed % of total estimated dwellings/lots)</th> </tr> </thead> <tbody> <tr> <td data-bbox="507 1111 820 1155">20 – 49 dwellings / lots</td> <td data-bbox="820 1111 1118 1155">1 per cent</td> </tr> <tr> <td data-bbox="507 1155 820 1200">50 – 99 dwellings / lots</td> <td data-bbox="820 1155 1118 1200">2 per cent</td> </tr> <tr> <td data-bbox="507 1200 820 1245">100 - 299 dwellings / lots</td> <td data-bbox="820 1200 1118 1245">4 per cent</td> </tr> <tr> <td data-bbox="507 1245 820 1290">300 – 499 dwellings / lots</td> <td data-bbox="820 1245 1118 1290">5 per cent</td> </tr> <tr> <td data-bbox="507 1290 820 1335">500 or more dwellings / lots</td> <td data-bbox="820 1290 1118 1335">8 per cent</td> </tr> </tbody> </table> <p>The Framework is not intended to apply to planning applications that are expected to result in less than 20 estimated lots or dwellings unless otherwise agreed by the Planning Applicant and Council.</p> <p>Where the number of proposed lots or dwellings is unknown at the point of planning application, Council and the Planning Applicant will agree to an estimated number of lots and/or dwellings for the purposes of applying the Framework. Information on how to calculate the estimated dwelling yield is set out in the Framework.</p> <p>The priority objective for Affordable Housing is for outcomes to be delivered on the site that is subject to the Planning Application. The Framework sets out options where less than one dwelling would result due to the application of the Affordable Housing Percentage to a site.</p>	Proposed site yield (estimated total number of dwellings/lots)	Affordable Housing Percentage (proposed % of total estimated dwellings/lots)	20 – 49 dwellings / lots	1 per cent	50 – 99 dwellings / lots	2 per cent	100 - 299 dwellings / lots	4 per cent	300 – 499 dwellings / lots	5 per cent	500 or more dwellings / lots	8 per cent
Proposed site yield (estimated total number of dwellings/lots)	Affordable Housing Percentage (proposed % of total estimated dwellings/lots)												
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500 or more dwellings / lots	8 per cent												
<p>Basis for Percentages</p>	<p>The Affordable Housing Percentages that are proposed to apply have been developed with consideration of:</p> <ul style="list-style-type: none"> • The obligation of Council as the Responsible Authority to respond to the objective of planning in Victoria, including Section 4 of the <i>Planning and Environment 1987</i> to facilitate Affordable Housing. • The evidence of Affordable Housing need set out in the <i>Yarra Ranges Affordable Housing Background Report</i> which established that in 2016, 4.15 per cent of dwellings in Yarra Ranges were required to be Affordable Housing for very low and low income households, with a gap of 1,838 dwellings as at 2016, expected to increase to 2,237 dwellings by 2036. To address unmet and forecast need an estimated 22.72 per cent of all forecast new dwelling supply would need 												



KEY ITEM	SUMMARY
	<p>to be delivered as Affordable Housing.</p> <ul style="list-style-type: none"> • The opportunity for new development to support a percentage of Affordable Housing is being addressed by negotiating Affordable House Agreements with Planning Applicants. • The State Government’s planning guidance in relation to Affordable Housing negotiations and an expectation that additional value enhancements may be proposed for Council consideration to support delivery on a site-by-site basis. • Consideration of the expected commerciality of different development proposals, with larger developments and rezoning expected to have greater value creation and subsequently value share potential as a result of the planning amendment and approval.
<p>Affordable Housing Program Outcome (tenure and ownership)</p>	<p>The Affordable Housing Dwelling(s) that is agreed to be delivered under this policy must result in Affordable Housing as defined by the <i>Planning and Environment Act 1987</i>. An Affordable Housing Dwelling includes a dwelling that is utilised as Social Housing, Affordable Rental Housing and/or Affordable Home Purchase (including Shared Equity Home Ownership).</p> <p>Council’s priority is for Social Housing or other Affordable Rental Housing outcomes that are owned and managed by a Registered Housing Agency.</p> <p>Council and the Planning Applicant may agree to other forms of Affordable Housing being achieved, such as Affordable Home Purchase or Shared Equity Home Ownership, on the basis that the resulting built form will meet the criteria set out within the Framework and be appropriately allocated and managed.</p> <p>Where large numbers of Affordable Housing Dwellings are proposed it is expected that a minimum number of lots or dwellings result in Social and/or other Affordable Rental Housing.</p>
<p>Affordable Housing Delivery Arrangement</p>	<p>Council’s priority is for the agreed Affordable Housing Dwelling(s) to be delivered on the site that is subject to the planning application.</p> <p>Where the application of the Framework and relevant percentage would result in one or more lots or dwellings being provided to an Affordable Housing purpose, Council’s preferred outcome is for dwellings to be constructed and provided at nil cost to a Registered Housing Agency unless otherwise agreed. Where the application is for a subdivision and the subsequent on-sale of individual lots, it is proposed that the Affordable Housing Percentage is translated to a dollar value and converted to one or more lots that are then gifted towards an agreed Affordable Housing purpose.</p> <p>On sites where a large number of Affordable Housing dwellings are sought to be delivered (proposed to be developments over 200 lots or dwellings unless otherwise agreed), other delivery arrangements including the sale of dwellings to individuals under an Affordable Home Purchase or Shared Equity arrangement and/or the discounted sale of dwellings to a Registered Housing Agency, and/or the gifting of land, may be agreed.</p> <p>Where the application of the Affordable Housing Percentage will result in less than one (1) dwelling being provided as an Affordable Housing Dwelling, options for a discounted sale arrangement of land or dwellings or the provision of cash-in-lieu are expected to be agreed. A formula to calculate the value of the proposed contribution is set out in the Framework.</p>
<p>Dwelling Typology</p>	<p>The priority built form for Affordable Housing is one and two-bedroom dwellings. Other dwelling types will also be considered with regard to the site context and planning controls.</p> <p>The final Affordable Housing dwelling mix for a site is proposed to be determined by the Planning Applicant in consultation with a Registered Housing Agency.</p> <p>Where over 10 dwellings will be delivered as Affordable Housing, 10 per cent of the total Affordable Housing provision (i.e. 1 in 10 dwellings) should be accessible for people with a disability or limited mobility (Platinum Liveable Housing Standard) unless otherwise agreed.</p>
<p>Integration</p>	<p>Affordable Housing Dwellings should be integrated with and be the same quality and visual appearance as market housing located within the development and the surrounding neighbourhood.</p> <p>Clustering of Affordable Housing within a site may be supported if a Registered Housing Agency agrees to the location of the Affordable Housing Dwelling(s) or where the delivery model provides serviceable lots to a Registered Housing Agency to develop the Affordable Housing built form.</p>



KEY ITEM	SUMMARY
Affordability	<p>The application criteria set out in the Framework reflects the need for well-located Affordable Housing that provide convenient access to services and amenities, reducing household living and transport costs.</p> <p>Development of Affordable Housing should incorporate design and construction features that reduce long-term operational costs, including passive design features and green star features above minimum building requirements.</p> <p>An Affordable Housing Dwelling must be rented or sold at a price that is affordable for households that earn an income within a State Government’s Affordable Housing or Social Housing income ranges. Ownership and/or management of dwellings by a Registered Housing Agency meet this criterion. Affordable Home Ownership and Shared Equity arrangements managed by an appropriately regulated not-for-profit housing agency meet this criterion.</p>
Allocation	<p>Affordable Housing achieved under the Framework is required to be allocated to households that meet the Affordable Housing or Social Housing income ranges set by the State Government (‘Eligible Households’). The way in which a dwelling is allocated to an Eligible Household should be set out by the Applicant during the application process, noting:</p> <ul style="list-style-type: none"> • A dwelling that is intended to be owned and/or managed by a Registered Housing Agency or another appropriately regulated not-for-profit entity will meet this criterion; • Where a dwelling is proposed to be sold to individual households under an Affordable Purchase or Shared Equity Home Ownership arrangement, the Planning Applicant will need to demonstrate what arrangement will be implemented to ensure that the dwelling is allocated to a household that meet the State Government Affordable Housing income ranges. Involvement of a Registered Housing Agency or other not-for-profit agency such as a shared equity operator will meet this criterion. <p>In allocating dwellings to Eligible Household, the Housing Agency is expected to give regard to obligations under the Victorian Housing Register including priority housing allocation requirements, and a household’s existing local connections.</p>
Longevity	<p>An Affordable Housing Dwelling that is delivered as a result of the framework should be intended for use as Affordable Housing in the long-term or the value provided by the Planning Applicant (i.e. the value of land or dwelling or discount), appropriately secured and reinvested on future sale in other Affordable Housing purposes.</p>
Delivery Timeframes	<p>Affordable Housing should be delivered in conjunction with the market housing component on the site. On large sites a staged approach to delivering Affordable Housing may be agreed with Council.</p> <p>A landowner proposing a staged approach will be required to provide Council with a site-specific strategy setting out the process and timing by which they will deliver the agreed Affordable Housing Dwellings over the project.</p>
Securing an Agreement	<p>An agreement and delivery arrangement is expected to be reflected in a Section 173 Agreement between the landowner and Council in accordance with the <i>Planning and Environment Act 1987</i>. The Agreement is expected to set out the agreed outcomes, process and timeframes for the landowner to achieve the agreed Affordable Housing Percentage and Dwellings.</p>
Verification	<p>A Section 173 Agreement is expected to require the landowner to demonstrate delivery of the agreed Affordable Housing Percentage and Dwelling outcome in accordance with the Agreement and where relevant, the planning controls.</p> <p>Council may seek confirmation from the nominated Housing Agency that the dwellings were delivered in accordance with the agreed strategy, for example proof of title transfer.</p>
Policy Review	<p>The Framework will be reviewed as required, with a first review intended in 2024/25.</p>



Definitions

Affordable Housing

Affordable Housing is housing, including social housing, that is appropriate for the housing needs of very low, low and moderate-income households. For the purposes of this definition:

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

Maximum income bands for these household groups are published by the State for Greater Melbourne.

Affordable Housing should be priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs (generally no more than 30 per cent of income) and be 'Appropriate' for the household's needs which includes consideration of affordability, type, tenure, location, allocation, integration and housing need.¹

Affordable Housing includes:

Social Housing (Public and Community Housing)

Social Housing includes Public Housing (owned and managed by the Director of Housing); and housing owned, controlled or managed by a participating registered agency (registered as a Housing Association or a Housing Provider) where the dwelling will be allocated to a household that meets the State Government published Social Housing income and asset eligibility requirements.

Affordable Rental Housing

Affordable Rental Housing refers to housing that is rented at an affordable price and allocated to households that meet the *Planning and Environment Act 1987* Affordable Housing income eligibility requirements published by Governor in Council Order.

Affordable Home Purchase

Affordable Home Purchase involves the sale of a dwelling at the established market price for that dwelling to a low or moderate income household that meets the Affordable Housing income eligibility requirements where the market price is demonstrated to be affordable for that household without a discount.

Shared Equity Home Ownership

Shared Equity Home Ownership is where a household that has some (limited) capacity to borrow funds is supported to purchase a dwelling through a structured home purchase arrangement, where the difference between the purchaser's financial capacity and the market value of the dwelling is only required to be repaid on future sale or refinancing, with the funds then re-applied in future shared equity arrangements

¹ Governor in Council Order (2018) Planning and Environment Act 1987, Section 3AB – Specification of Income Ranges, 6 June 2019 & Ministerial Notice under the Planning and Environment Act 1987 Specified Matters Under Section 3aa (2), 17 May 2018



Affordable Housing Agreement

An Agreement reached between a landowner and the Responsible Authority in relation to the inclusion of Affordable Housing Dwellings as a part of a planning amendment or permit approval and the application of an Affordable Housing Percentage. An Affordable Housing Agreement is expected to be reflected in a Section 173 Agreement made pursuant to the *Planning and Environment Act 1987*.

Affordable Housing Dwelling

An Affordable Housing Dwelling is a Dwelling as per Clause 73.03 of the Victorian Planning Provisions that is made available for the purposes of Affordable Housing (either through gifting or sale) as a result of the application of the Framework.

Affordable Housing Percentage

The percentage of Affordable Housing Dwellings that is agreed to be delivered determined with reference to the estimated future total development yield (lots or dwellings) on the site that is subject to the planning application.

Dwelling

This Framework adopts the definition of a dwelling under Clause 73.03 of the Victoria Planning Provisions. References to a 'dwelling' or 'lot' in this Framework also refers to a dwelling or lot delivered as part of a 'residential village' and a 'retirement village', both of which are also defined under Clause 73.03 of the Victoria Planning Provisions.

Eligible Household

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

End Recipient

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

Housing Affordability

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

Housing Stress

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

Planning Applicant

A Planning Applicant for the purposes of the Framework refers to the entity that that is applying for a planning permit or the proponent making a planning scheme amendment request for a site located within Yarra Ranges Local Government Area. The Applicant may be the owner and/or intended developer of the land or may be a representative of the landowner. The Planning Applicant is the party that Council will engage with in relation to the application of the Framework and is expected to have the authority to enter into or agree to an Affordable Housing Agreement.



Registered Housing Agency

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

Section 173 Agreement

A Section 173 Agreement is a legal contract made between a local government authority (i.e. council) and any other party or parties, under Section 173 of the *Planning and Environment Act 1987*. This type of contract places a range of restrictions on how the land can be used and it is registered on the title to the land.

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Part A: Overview

1. Statement of Intent

The *Yarra Ranges Affordable Housing Background Report (June 2019)* established that Yarra Ranges Local Government Area has:

- An estimated demand for 2,460 Affordable Housing, representing 4.15 per cent of all dwellings as at 2016;
- A shortfall of 1,839 Affordable Housing dwellings as at 2016 after taking into consideration existing supply (621 dwellings); and
- A need for a minimum 2,237 Affordable Housing dwellings to be delivered by 2036 to address unmet and forecast needs of lower income residents, representing 27.72 per cent of all forecast new dwelling supply.

Yarra Ranges Council (Council) is committed to responding to the evidence supporting an increase in Affordable Housing for lower income households in its community in line with its role and obligations as the Responsible Authority.

Council is pursuing several actions as part of its comprehensive approach to responding to the issue, including assessing the potential development of Council-owned land for Affordable Housing, building local partnerships and networks, and advocating for increased Federal and State Government investment via Council participation on the Eastern Affordable Housing Alliance.

As a Responsible Authority and Planning Authority, Council is required to facilitate the provision of Affordable Housing in accordance with Section 4 of the *Planning and Environment Act 1987*. The State Government's Affordable Housing guidance supports Council engaging in negotiations with landowners (Planning Applicants) to secure an Affordable Housing outcome as part of the planning assessment and development process.²

The *Yarra Ranges Affordable Housing Background Report (June 2019)* sets out the strategic basis for the Framework. It specifically:

- Sets out the State and Local Government policy context.
- Identifies existing Council policies that recognise the importance of Affordable Housing to the social and economic welfare and development of the Yarra Ranges community.
- Establishes the significant evidence of local Affordable Housing need and the key characteristics of this need.
- Notes the obligations of Council to facilitate the provision of Affordable Housing as an objective of planning pursuant to Section 4 of the *Planning and Environment Act 1987* and to address objectives within the Yarra Ranges Planning Scheme to support improved housing diversity and affordability.

The *Yarra Ranges Development Negotiation Framework* responds to the strategic context and evidence of Affordable Housing need and establishes Council's intention to engage with owners of identified development sites and to seek an agreement for an Affordable Housing inclusion as a component of the planning permit assessment and/or planning scheme amendment process.

² Available at <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing>



The Framework guides:

1. When and how Council will seek to negotiate with a landowner (site and planning characteristics, negotiation process and principles).
2. Planning Applicants in understanding the different Affordable Housing program structures, delivery models and potential partners.
3. The amount and type of Affordable Housing that Council aims to facilitate.
4. How Council may facilitate or incentivise the delivery of Affordable Housing.
5. The key items expected to be reflected in planning controls and a Section 173 Agreement once an agreement is reached.

The Framework is intended to be referred to by Planning Applicants as part of their due diligence and work in considering whether to acquire, permit and/or develop a site in Yarra Ranges and to guide Council and Applicants in the process. It is also intended to support Planning Applicants to understand the concept of Affordable Housing, programs and delivery models and the capacity of Registered Housing Agencies as intended end owners and/or managers of Affordable Housing.

Planning Applicants are encouraged to refer to the Background Report for a comprehensive understanding of Affordable Housing need in Yarra Ranges.

Council understands that application of the Framework will not comprehensively respond to the municipality’s identified Affordable Housing need. Significant action and investment, particularly at a Federal and State Government level, is required if this need is to be comprehensively addressed. Council will continue to advocate for this investment.

2. Affordable Housing Overview

‘Affordable Housing’ is defined under the *Planning and Environment Act 1987* as ‘housing, including social housing, that is appropriate for the housing needs of very low, low and moderate income households’.³

Affordable Housing covers a spectrum of program responses including crisis accommodation, Social Housing owned by the State Government (public housing) or owned or managed by a not-for-profit housing organisation (community housing). It can also include other types of Affordable Rental Housing, and Affordable Home Ownership such as Shared Equity and Affordable Purchase (Figure 1).

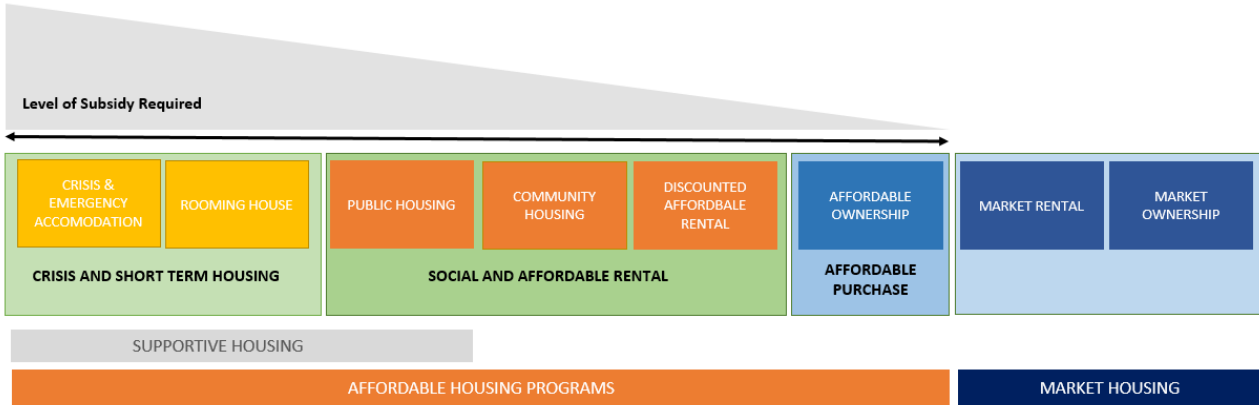


Figure 1: Housing spectrum illustrating Affordable Housing programs (adapted from Whitzman, Newton & Sheko, 2015),

³ Victorian Planning and Environment Act 1987



State Government published household income bands set the maximum income eligibility for Affordable Housing in Greater Melbourne as at 1 July 2019 (Table 1).⁴ These income bands will be reviewed annually with updates published in the Government Gazette.

Household type	Very low	Low	Moderate
Single adult	Up to \$25,970	\$25,971 - \$41,550	\$41,551 - \$62,310
Couple, no dependent children	Up to \$38,950	\$37,821 - \$62,320	\$63,321 - \$93,470
Family (1- 2 adults with dependent children)	Up to \$54,520	\$54,250 - \$87,250	\$87,251 - \$130,870

Table 1: Affordable Housing Income Eligibility, Greater Melbourne, 2019-2020

Social Housing is a subset of Affordable Housing that is targeted to very low and low income households with eligibility criteria including income limits and asset tests set by the Director of Housing.⁵

An Affordable Housing Dwelling is expected to align to a number of 'matters' (i.e. criteria) established by the State Government to ensure the dwelling is appropriate for very low, low or moderate income households. This includes affordability, allocation, tenure, location, built form, and integration. These matters are reflected in this Framework as they apply to Yarra Ranges' housing context and Affordable Housing need.

3. Why Affordable Housing is Required

Council recognises that access to appropriate and well located Affordable Housing is critical to the economic productivity and the efficient functioning of the municipality, as well as social well-being and inclusiveness.

People in the community can find themselves in need of Affordable Housing at any stage in life due to various circumstances, including limitation on their income generating capacity, physical and mental health concerns, family and relationship breakdown, family violence, loss of employment and substance dependency.

Without adequate and appropriate Affordable Housing supply it is difficult for employers to attract and retain employees and people face significant time and cost pressures to access their place of employment.

The evidence of Affordable Housing need set out in the *Yarra Ranges Affordable Housing Background Report* highlights a significant unmet demand for Affordable Housing in Yarra Ranges, including:

- A 25 per cent increase in homelessness in Yarra Ranges between 2011 and 2016, with an estimated 622 persons in 2016 homeless, including persons in marginal housing.⁶
- A notable decline in affordability of the private rental market with only 87 private dwellings available to rent in the municipality in 2018 assessed as being affordable for a household on a statutory (government) income to rent, representing 4.3 per cent of all new private rental properties available during the period. Only seven of these dwellings were one-bedroom properties.⁷
- A mismatch between housing options and household types in the Yarra Ranges, with limited one and two-bedroom dwellings (2.7 per cent and 11.3 per cent respectively), compared to 20 per cent single person households and 26.2 per cent couple households without children. There is also very little affordable one and two bedroom dwellings, making housing affordability a more significant issue for these households.⁸

⁴ Governor in Council Order (2018) Planning and Environment Act 1987, Section 3AB – Specification of Income Ranges, 1 July 2019

⁵ <https://housing.vic.gov.au/social-housing-eligibility>.

⁶ ABS (2018) 2049 - Census of Population and Housing: Estimating Homelessness, State and territory by place of enumeration, Statistical Area Level 2, 3 and 4

⁷ Department of Health and Human Services (2018) Rental Report – affordability over time, September 2018 Report, time series, author's analysis

⁸ ID Community (2019) Community Profile



- An estimated 2,460 low income households living in Yarra Ranges in 2016 that required Affordable Housing, with an estimated gap or shortfall of 1,839 Affordable Housing dwellings after taking into account existing Social Housing supply (621 Social Housing dwellings as at 2019).
- An estimated 2,237 new Affordable Housing dwellings required to be delivered by 2032 to meet the needs of lower income households in the municipality. To achieve this, an average of 22.72 per cent of all dwellings forecast to be delivered per annum between 2019 and 2036 would need to be Affordable Housing. This equates to 132 dwellings per annum.

The Framework responds to the evidence by seeking the delivery of Affordable Housing Dwellings through a Voluntary Planning Agreement as envisaged by the State Government, on sites that meet the criteria set out in the Framework. Delivery of Affordable Housing that is smaller in size in terms of bedroom numbers and is located in areas with convenient access to transport and services is prioritised.

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Part B: Affordable Housing Development Negotiation Framework

1. Application

A Planning Applicant should refer to the Framework when considering acquiring and planning for the development of land in Yarra Ranges and should expect to negotiate with Council in relation to the provision of Affordable Housing where the proposed development meets the site and/or planning criteria set out within the Framework. Council will confirm prior to or during the application phase if it proposes to seek to apply the Framework and negotiate an Affordable Housing Agreement.

2. Guiding Principles

The following guiding principles provide a structure for Council and the Planning Applicant (the Parties) to confirm an Affordable Housing Agreement:

1. The Parties note that the Council is required under Section 4 of the *Planning and Environment Act 1987* to facilitate the provision of Affordable Housing. Including an Affordable Housing outcome as an objective of the planning permit application and/or a planning scheme amendment and subsequent development of a nominated site is to be agreed to by Council and the landowner. Any agreement will be documented in the planning controls and where appropriate reflected in a Section 173 Agreement.
2. The inclusion and type of Affordable Housing to be provided will be determined by the Parties with consideration to:
 - I. The *Yarra Ranges Affordable Housing Development Negotiation Framework*.
 - II. The definition of Affordable Housing set out in the *Planning and Environment Act 1987* and the list of associated matters set out by the State Government.
 - III. The evidence of need as set out in the *Yarra Ranges Affordable Housing Background Report (June 2019)*.
 - IV. The site characteristics and capacity to support and Affordable Housing inclusion.
 - V. The expected uplift in land value expected to result from the change of planning controls or other value enhancing planning provisions agreed to by Council.
3. The preferred outcome is the delivery of Affordable Housing Dwellings on the site to which the planning permit application or planning scheme amendment relates.
4. Any proposal to deliver Affordable Housing that depends on the investment and/or ownership and/or management by another party will be tested with a potential third-party such as a Registered Housing Agency prior to securing an agreement.
5. The determination of Affordable Housing delivery arrangements will consider likely development timeframes and provide for required certainty relating to delivery, balanced against the opportunity for innovation over time.
6. Any Affordable Housing that is agreed to be delivered on a site should, unless otherwise agreed by an intended third-party end recipient such as a Registered Housing Agency:



- I. Be delivered on the site to which the planning permit application and or planning scheme amendment applies.
 - II. Adhere to all standard planning, urban design and architectural guidance in accordance with State and local planning policy and urban design frameworks.
 - III. Be integrated externally with private housing.
 - IV. Externally appear no different from the market housing component.
 - V. Respond to the need for accessibility and adaptability features in a proportion of dwellings.
 - VI. Consider long-term affordability and operational costs.
7. The effect of an agreement being reached by the Parties is to establish an appropriate set of planning and/or legal controls to ensure the outcome is delivered. This may include; reflecting an agreement in the planning controls, the planning permit and/or a Section 173 Agreement under the *Planning and Environment Act 1987*.
 8. On demonstrated delivery of the agreed Affordable Housing dwellings the permit conditions and Section 173 terms will be considered to have been met.
 9. Council does not intend or expect to own or manage Affordable Housing Dwellings delivered as a result of the application of this Framework.

3. Process of confirming an Affordable Housing outcome

A process of negotiation is (Figure 2 and Part C) set out the process of confirming an Affordable Housing Agreement and key decision milestones. The timing of the process should be considered in light of the broader planning process and timeframes of the planning approval process. Agreement to the delivery of an Affordable Housing Dwelling(s) should not unduly delay consideration of a planning application.

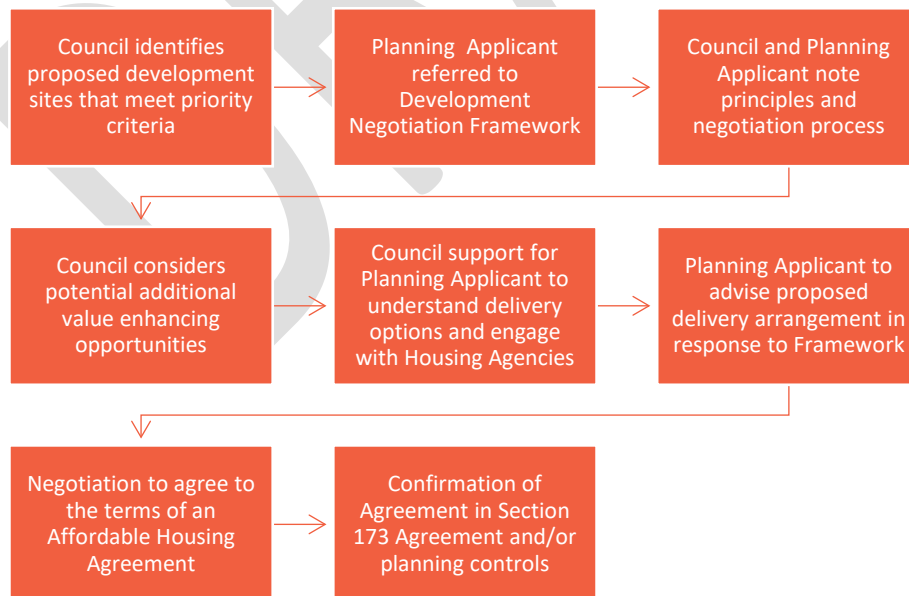


Figure 2: Indicative Process



4. Affordable Housing Programs

The type of Affordable Housing programs that could be achieved as a result of the application of the Framework include:

Housing Program	Key Characteristics
Social Housing	<ul style="list-style-type: none"> Housing owned or managed by the State Government (Public Housing) or a Registered Housing Agency (Community Housing) and rented to households that meet Government income eligibility and asset eligibility. A Registered Housing Agency is a not-for-profit incorporated organisation with a purpose to own and/or operate housing for lower income households that is regulated by the State Government appointed Housing Registrar. Rent for dwellings managed by a Registered Housing Agency is generally set at a maximum of 30 per cent of household income plus Commonwealth Rent Assistance. Social Housing outcomes delivered under the Framework are expected to be owned and/or managed by a Registered Housing Agency.
Affordable Rental Housing	<ul style="list-style-type: none"> Affordable Rental Housing is housing provided at a discount -to -market rent to households that meet Social Housing income eligibility or Affordable Housing income eligibility requirements set out in the <i>Planning and Environment Act 1987</i>. A minimum 25 per cent discount to rent is generally provided. An affordability test typically also applies, with rent expected to be set at either a discount to market or no more than 30 per cent of a household's gross income. Affordable Rental Housing may be provided on a long-term basis if owned by a Registered Housing Agency or could be for a set period of time on agreement with Council.
Shared Equity Home Ownership	<ul style="list-style-type: none"> Shared Equity is an affordable home ownership program whereby a household that has some (i.e. limited) capacity to borrow funds is able to purchase a dwelling through a supported purchase arrangement. Typically, the household borrows between 70 and 80 per cent of the value of a property from a bank, with the remaining percentage or 'social equity' provided by either a government grant, a land contribution or a developer contribution in the instance of a planning negotiation. Shared equity programs require an appropriately regulated sales and management arrangement to source and test the income of a potential eligible purchaser and for the social equity that is provided to be appropriately secured and captured on future sale to enable reinvestment. In a planning negotiation the landowner may meet the land and development costs with the Eligible Purchaser paying the agreed (reduced) proportion of market value at settlement. The difference between the market value and the amount paid by the purchaser is defined as 'social equity' that is secured by a not-for-profit agency by a second mortgage. On the future sale of the dwelling by the first purchaser the proportional equity provided at the start (i.e. 20 – 30 per cent of market value) is repaid based on the property's (future) market value. The landowner does not receive a return on their contribution, with the social equity reinvested by the managing entity in accordance with an agreement between the registered housing agency and Council.
Affordable Home Purchase	<ul style="list-style-type: none"> Affordable Home Purchase entails the sale of dwellings at the established market price for that dwelling to a low or moderate income household on the basis the dwelling and market price is demonstrated to be appropriate in size and affordable for that household without a discount. This is likely to only apply for smaller dwellings and must therefore be affordable for a single or couple to purchase without subsidy. Application of this model is expected to be limited due to median market prices in Yarra Ranges and limited purchasing capacity of Eligible Households. Requires a dedicated sale program is to ensure only eligible households that meet the defined income bands are able to purchase the property (requiring a process of income verification and allocation). The model will only apply in areas with lower market prices and where the dwelling is clearly appropriate in size, amenity and quality for the purchasing household. The model does not require the dwelling to be secured or managed as Affordable Housing in the long term as there is no subsidy or discount that is required to be secured, rather it can encourage relatively lower priced dwellings to be delivered in an area. If a discount is required, then the product should revert to a shared equity arrangement so the value can be captured and reinvested.

Table 2: Range of Affordable Housing Programs



5. Policy Application

5.1 Priority Locations and/or Planning Characteristics

The Framework applies to any site within the Yarra Ranges Local Government Area where an application for a planning permit and/or planning scheme amendment is lodged and the application:

1. Seeks to increase the site's residential density to enable an estimated 20 or more lots or dwellings and is in a location with convenient access to services, amenities and/or transport; and/or
2. Is for a site that is owned by Federal, State or Local Government and is expected to be sold to market for residential development; and/or
3. Seeks to increase the site's residential density to enable an estimated 20 or more lots or dwellings and seeks to exceed Council's preferred planning outcomes for the site in terms of height, density or yield; and/or
4. Seeks to increase the site's residential density to enable an estimated 20 or more dwellings or lots and is identified by Yarra Ranges Council as a strategic development site suitable for Affordable Housing.

Applicants of a site with these characteristics are expected to refer to the Framework and engage in discussion with Council on the inclusion of Affordable Housing as part of the planning application process.

5.2 Value basis and potential Council Incentives

Council's expectation is there will be an increase in the value of land as a result of a planning permit or new planning controls being applied to a site. Council considers it to be appropriate that this value is partly shared towards an Affordable Housing purpose in accordance with the objectives of planning in Victoria set out in Section 4 of the *Planning and Environment Act 1987*, which includes the objectives "to provide for the fair, orderly, economic and sustainable use, and development of land" and "to facilitate the provision of affordable housing in Victoria."

The value uplift expected as a result of the planning approval process will vary by site. Larger site rezoning is reasonably expected to result in enhanced value creation and value share opportunities. The proposed Affordable Housing percentages are proposed to support a modest sharing of this value uplift, with smaller sites proposed to support a smaller contribution.

When negotiating the application of the proposed Affordable Housing percentages to an application and site, Council and the Planning Applicant are expected to give regard to the likely uplift in land value by taking into consideration current allowed use, any proposed change in planning controls and subsequent development potential.

Application of the percentages may be varied by agreement where the Planning Applicant demonstrates that the application does not result in an uplift in land value sufficient to support the proposed Affordable Housing inclusion.

Council may also agree to further enhance the value generated in a project and in turn the Affordable Housing outcome by providing other incentives or planning dispensations.

Incentives Council may consider include:

- Improved development yield, particularly where one and two-bedroom dwellings are proposed for the purposes of Affordable Housing that would otherwise not be delivered in the market.
- Different rates of car parking for the Affordable Housing where the site is well located to either services or transport.
- Truncated planning assessment timeframe.

Applicants must set out and justify any request for Council to consider these or other incentives.



5.3 Affordable Housing Percentage

Council’s objective is to seek an Affordable Housing Percentage set out in Table 3, to result in an agreed number of Affordable Housing Dwellings.

Proposed site yield (estimated total number of dwellings/lots)	Affordable Housing Percentage (proposed % of total estimated dwellings/lots)
20 – 49 dwellings / lots	1 per cent
50 – 99 dwellings / lots	2 per cent
100 - 299 dwellings / lots	4 per cent
300 – 499 dwellings / lots	5 per cent
500 or more dwellings / lots	8 per cent

Table 3: Proposed Affordable Housing Percentages by estimated development size

Examples of the number of Affordable Housing Dwellings that may be agreed as a result of application of the Council proposed Affordable Housing Percentage is illustrated in Table 4.

Proposed Site Yield (estimated number of dwellings/lots)	Affordable Housing Percentage	Number of Affordable Housing Dwellings
20 dwellings / lots	1 per cent	0.2 (i.e. 20 per cent of the total market value of a dwelling)
30 dwellings / lots	1 per cent	0.3
50 dwellings / lots	2 per cent	1 (one dwelling)
80 dwellings / lots	2 per cent	1.6
100 dwellings / lots	4 per cent	4
300 dwellings /lots	5 per cent	15
500 dwellings / lots	8 per cent	40

Table 4: Indicative outcomes based on number of dwellings/lots and percentage applied

5.4 Determining an Outcome

Council’s preferred delivery arrangement is that where the application of the Affordable Housing Percentage equates to a whole number (i.e. 1, 2, 3 etc Affordable Housing Dwellings), the Affordable Housing Dwelling is provided in the form of a constructed dwelling gifted to a Registered Housing Agency or the equivalent value provided in serviced land, unless otherwise agreed with Council.

On large sites, proposed to be those that will accommodate over 200 dwellings, where a corresponding large number of Affordable Housing Dwellings are proposed to be delivered as a result of the application of the Affordable Housing Percentage, other delivery arrangements instead of gifting of dwellings may be agreed, which may include:

- Sale of completed dwellings to individuals under an Affordable Home Purchase or Shared Equity arrangement; and/or
- The sale of completed dwellings at an agreed discount to a Registered Housing Agency.

Further details on these delivery models is set out in Part C.

Where the number of lots or dwellings that will result from the planning application is unknown at the point of lodgement it is expected that Council and the Planning Applicant will agree to an estimated number of lots or dwellings in order to determine the Affordable Housing Percentage proposed to be applied by Council. For example, for a planning scheme amendment to rezone the land to a residential zone without a subdivision or development



proposal. This calculation is expected to include consideration of the existing and the proposed planning controls and overlays, estimated lot or dwelling size, and infrastructure requirements.

Where the application of the Affordable Housing Percentage would result in less than one dwelling (i.e. less than 1 or any other whole number), a percentage of the total market value of one dwelling is to be applied and translated to an agreed Affordable Housing arrangement. A method to calculate this value is set out at 5.5.

A discounted sale, land provision or cash-in-lieu arrangement may be considered where the percentage of total yield does not equate to a completed Dwelling (i.e. is less than 1). A process for calculating this is set out in 5.5.

Information on potential partners and end owners is provided as an attachment to this document.

5.5 Provision of cash-in-lieu or determination of discount rate

Where the application of the proposed Affordable Housing percentage would not result in a single dwelling (i.e. less than a whole number), and the discounted sale or transfer of land is not determined to be an acceptable option, Council may consider a cash-in-lieu contribution to a local Registered Housing Agency for application towards new acquisition or development of Affordable Housing in the municipality.

A formula to determine the value of this contribution is outlined in Table 5. This formula can also be used to determine an equivalent discount rate should the application of the percentage result in less than a whole dwelling. The same calculation is expected to apply regardless of whether lots or dwellings are expected to be delivered on the site by the Planning Applicant.

Of note:

- When applying the percentage at Table 3 to the proposed yield, a result of '1' equals a single dwelling, i.e. 2 per cent of 50 dwellings equals one (1) dwelling.
- The application of the proposed Affordable Housing percentage may result in less than '1', i.e. 1 per cent of 20 dwellings = 0.2.
- Where application of the percentage results in less than a whole number, the number translates to a percentage of a single dwelling, i.e. 0.2 = 20 per cent of the market value of one dwelling.

To determine the value of the contribution the Planning Applicant will need to:

- Confirm that options to deliver the Affordable Housing Dwelling on the site have been adequately explored;
- Identify:
 - The expected end built form (house or unit) that is expected to eventuate as a result of the planning approval regardless of whether the applicant is the intended builder or developer;
 - The suburb where the site is located;
 - The median price of either a house or unit as relevant for the suburb (see below);
- Apply the methodology set out below.

The calculation can also determine a discount that could be applied to a dwelling, for example if 0.2 of a dwelling is agreed to be provided this would translate to a 20 per cent discount to market value of a completed dwelling or a land value equivalent.



Measure	Steps to Calculate Cash-in-Lieu
Determine Affordable Housing Percentage	<p>1. Determine the percentage of a completed dwelling agreed to be provided as Affordable Housing (refer to Table 3).</p> <p>For example, for a development of 20 units, a one per cent contribution would require 0.2 dwellings to be delivered as Affordable Housing ($20 * 1\% = 0.2$).</p> <p>This establishes the percentage of market value of a single dwelling (house or unit) that is proposed to be provided into an Affordable Housing purpose. In this example $0.2 = 20$ per cent of market rate of a house or unit.</p>
Establish the median unit or house price for the last four quarters for the suburb	<p>2. Determine the likely end built form to be developed on the site (i.e. unit or house) as a result of approval of the planning amendment or permit, regardless of whether the application is for a lot subdivision or the development of dwellings.</p> <p>3. Establish the median price for either a house or unit (as identified at step 2) for the suburb where the site is located by checking the last 12 months median prices published by the Victorian Valuer General's <i>A Guide to Property Values</i>, available at: https://www.propertyandlandtitles.vic.gov.au/property-information/property-prices</p> <p>To find the median price:</p> <ul style="list-style-type: none"> • Open the Excel table for either house or unit; • Find the suburb of the site; • Note the median price.
Calculation of cash-in-lieu	<p>4. Apply the Affordable Housing calculation at step 1 to the median house or unit price determined at step 3.</p> <p>For example, if the median price of a unit in Lilydale was \$400,000 and 0.2 of a dwelling or 20 per cent of market value is proposed to be provided towards an Affordable Housing outcome then $0.2 * \\$400,000 = \\$80,000$.</p> <p>This provides the value of the proposed cash contribution, which in this example is \$80,000.</p>

Table 5: How to calculate a cash-in-lieu contribution

Illustrative Example:

A 2 per cent Affordable Housing outcome is agreed to be applied to a development of 78 units, equating to 1.56 Affordable Housing dwellings. The median price of a units in the suburb as per the last 12 months of sale data published by the Victorian Valuer General is \$500,000.

In this scenario, one dwelling is proposed to be constructed and provided at nil cost to a Registered Housing Agency and 56 per cent of the market value of a second dwelling could be provided either as:

A 56 per cent discount for a Housing Agency to purchase a second dwelling or approximately 26 per cent discount for two dwellings;

The provision of land that equates to the 56 per cent contribution (\$280,000 being 56 per cent of \$500,000).

The provision of a cash payment to the equivalent value to a Registered Housing Agency for it to develop or purchase a dwelling in the municipality.



5.6 Affordable Housing Appropriateness ‘Check’

The State Government legislated definition of Affordable Housing requires Council and Planning Applicants to give regard to a set of published ‘matters’ (i.e. criteria) to confirm the appropriateness of a built form intended for an Affordable Housing purpose.

These matters and Council’s assessment and framework for responding to these matters are set out in Part C and are intended to guide Planning Applicants to develop proposals for Affordable Housing and for Council to assess and confirm how an Affordable Housing Dwelling will eventuate. Key aspects of this framework are expanded on below.

Of note, a Planning Applicant will need to demonstrate that an acceptable Affordable Housing Dwelling will be achieved that will be:

1. Affordable for very low, low or moderate income households (as defined by the *Planning and Environment Act 1987*) with reference to the State Government’s income bands published in the Government Gazette.
2. Appropriate for these households in terms of location, built form, tenure and integration with market housing.
3. Available for these households through an appropriately regulated management model that ensures appropriateness and affordability are achieved.

An outcome that is owned and/or managed by a Registered Housing Agency meets this criterion and is Council’s preferred delivery model for Affordable Housing delivered by applying the Framework. Information on Affordable Home Ownership and Shared Equity arrangements that may meet the criteria are set out in Part C and below.

5.7 Built form quality and long-term affordability

Any proposal that is proposed to incorporate Affordable Housing must adhere to the planning provisions set out in the Yarra Ranges Planning Scheme.

Affordable Housing delivered under a negotiation should be of the same built form standard as market housing and should not externally appear different. Internal fixtures and amenity such as car parking may be different on the advice of a Registered Housing Agency recognising the need for durability of materials over time and ease of replacement.

The design and construction of a dwelling should consider the dwelling’s long-term affordability for the resident. Affordability is also expected to result from the targeting of the policy to sites that are located close to services and/or transport.

5.8 Accessibility and Adaptability

Australian Liveable Housing Design Guidelines advocate for the inclusion of key easy living features that aim to make homes more accessible, by ensuring homes are easy to enter and move in and around, capable of easy and cost-effective adaptation and designed to anticipate and respond to the changing needs of home occupants.

The Liveable Housing Design Guidelines include three levels of performance, set out at Liveable Housing Australia.⁹

Where over 10 dwellings are proposed to be delivered as Affordable Housing, 10 per cent of the total Affordable Housing provision (i.e. 1 in 10 Affordable Housing Dwellings) should seek Platinum Level certification set out in the Guideline.

Affordable Housing delivered can include a proportion of disability specific housing approved under the National Disability Insurance Scheme (NDIS). Inclusion of Specialist Disability Accommodation is noted to require larger dwelling footprints. The inclusion of this accommodation will be taken into consideration when negotiating the

⁹ http://livablehousingaustralia.org.au/library/help/Livable_Housing_Design_Guidelines_Web1.pdf, as at May 2019



percentage of Affordable Housing that is proposed to be achieved noting that a component of general Social Housing is also expected to be realised should NDIS housing be proposed.

5.9 Intended Longevity of Affordable Housing Outcomes

Affordable Housing Dwellings or the value provided as a result of an Affordable Housing Agreement is expected by Council to be used for Affordable Housing for a significant period reflecting the expected future Affordable Housing demand. Of note:

- Ownership and/or management of dwellings/lots by a Registered Housing Agency is accepted as ensuring any outcome will be delivered and appropriately managed as Affordable Housing and that any future sale proceeds will be re-invested Affordable Housing purposes in Yarra Ranges.
- Any delivery arrangement that includes a discount or the foregoing of revenue by the landowner, such as for a Shared Equity arrangement, must demonstrate at the planning application stage that there will be an appropriately qualified organisation that will manage the process to ensure that the value provided will:
 - Result in dwelling being sold to eligible purchasers earning less than the Affordable Housing income ranges published by the Government at the point of sale at an affordable price point;
 - Be appropriately secured to ensure no ‘windfall gain’ by the first purchaser; and
 - Be reinvested on the sale or refinancing by the first purchaser in to new Affordable Housing supply in the municipality.
- Management of shared equity arrangements through an appropriately regulated arrangement will realise these requirements and ensure that any future returns on sale are reinvested in Affordable Housing purposes in the municipality.
- Other models may be contemplated over time and will need to meet the criteria set out within this framework to demonstrate that the arrangement will be appropriately secured and managed over an appropriate period of time (at least 15 years is recommended).

A commitment such as through a Memorandum of Understanding may be required to be entered into between the Housing Agency and Council to ensure any shared equity proceeds will be reinvested in other Affordable Housing in the municipality on the first sale of the dwelling.

Dwellings/lots proposed to be sold under an Affordable Purchase arrangement where there is no discounting to the market price, do not require a condition on title or with the purchaser with an understanding the outcome is relatively affordable in the market. This type of arrangement will only be considered where there is clear evidence the dwelling will be appropriate, affordable and allocated to Eligible Households and sold at established market value without discounting and where a minimum Social or Affordable rental component is also delivered.

5.10 Delivery Timeframes

An Affordable Housing Agreement and subsequent Section 173 Agreement are expected to include reference to timeframes by which the Affordable Housing Percentage and Dwellings will be achieved.

A staged delivery approach will be considered for larger developments comprising multiple stages or buildings. When 10 or more Affordable Housing dwellings/lots are proposed, advice from a Registered Housing Agency should be sought relating to the location and integration of the dwellings/lots across the site to inform a staging proposal.

Council’s intention is that on sites where over 10 Affordable Housing dwellings are proposed:

- 50 per cent of the Affordable Housing component (whether lots or dwelling) should be delivered in the agreed form by practical completion of 50 per cent of the total residential yield.
- 100 per cent of the Affordable Housing component (lots or dwellings) should be delivered by practical completion of 85 per cent of the total residential yield.



On larger sites and prior to the approval of each development stage, the Applicant may be required to develop and report on an 'Affordable Housing Delivery Strategy' that sets out the proposed delivery arrangements across the precinct and stages, with Council having the ability to not approve staging if demonstration of delivery within agreed timeframes has not been met.

5.11 Securing an Outcome

A landowner and Council will enter into a Section 173 Agreement to secure an Affordable Housing Agreement in accordance with State Government changes to the *Planning and Environment Act 1987* which confirmed that a Section 173 is an appropriate legal tool for this purpose.

As part of the negotiation pre-planning approval, the agreement is expected to be included in either a term sheet for large rezonings which will then be used as a basis for a Section 173 Agreement, or directly in a draft Section 173 Agreement.

Where possible, an agreement is expected to also be included within the new planning provisions.

A Section 173 Agreement is expected to include:

- Details on the percentage, program and delivery model or models that are agreed to be delivered including any specific discount rate or expectations of gifting. For planning scheme amendments this could refer to a percentage of expected future lots or dwellings.
- Timeframes by which the delivery of Affordable Housing must be demonstrated.
- Confirmation as to the dwelling typology to be delivered, or a process for confirming with a Registered Housing Agency the dwelling mix.
- Expectations addressing future ownership and management of the Affordable Housing.
- The way in which the landowner is required to demonstrate delivery of the arrangement.
- Sunset date for the Section 173 Agreement.

Where a dwelling will be transferred or sold to a Registered Housing Agency, providing evidence of title in the name of an Agency is sufficient evidence to establish whether the landowner has met the terms of the Section 173 requirement.

Where a dwelling will be sold into a Shared Equity arrangement, providing evidence of title in the name of an individual purchaser and evidence that purchaser has entered a legal agreement with a shared equity operator is considered sufficient evidence the landowner has met the Section 173 terms. Council may then require a separate legal agreement with the Shared Equity operator to cover the reinvestment of any shared equity proceeds in the municipality on future sale of the dwelling. A shared equity operator is expected to work with Council to determine these ongoing contractual requirements including any reporting to Council.

6. Monitoring and Review

The Framework is intended to be reviewed as appropriate with an expected first review in 2024-25 and then every three years thereafter to enable negotiation experiences to be reflected on and, where required, support amendments to the Framework.

7. Further Information

For further information or to discuss the application of the Framework, Planning Applicants should contact Yarra Ranges Council on 1300 368 333. Early discussions are encouraged.



Part C: Additional Information

1. Process Guide

Stage	Process
1 – Notice of intent to apply the Framework and provision of negotiating terms	<ol style="list-style-type: none"> Council officers to: <ul style="list-style-type: none"> Provide the Affordable Housing Development Facilitation Framework and indicate Council’s intent to seek to facilitate an Affordable Housing outcome. Discuss the Framework application with the Planning Applicant. Refer the Applicant to Registered Housing Agencies to discuss delivery options.
2 – Evidence, Proposal, Preliminary Offer, Negotiation,	<ol style="list-style-type: none"> Consideration by the Planning Applicant of the proposed Affordable Housing inclusion. This may include seeking independent advice, engagement with Registered Housing Agencies, assessment of options, and further engagement with Council to further understand application, opportunities and potential outcomes. Planning Applicant to outline their response to the Framework. Council review and response to Planning Applicant response and further consideration of application of the Framework in light of other planning considerations. Negotiation between Council, the landowners and key stakeholders as required. Council may require evidence the landowner has consulted with and has the support of a Registered Housing Agency depending on the proposed delivery arrangement. Council may also test the acceptability of a delivery arrangement with one or more Housing Agencies.
3 – Agreement	<ol style="list-style-type: none"> Agreement in writing to in-principle agreed Affordable Housing component (forming the basis of a Term Sheet).
4 – Independent review (if applicable)	<ol style="list-style-type: none"> As per existing processes pursuant to the <i>Planning and Environment Act 1987</i>, planning scheme amendments to rezone land or planning permit applications may be subject to a process of further review (e.g. Planning Panel). Final agreement to Affordable Housing component in light of any external party review and recommendations.
5 – Finalisation of planning review and draft zone controls	<ol style="list-style-type: none"> Finalisation of proposed planning terms in accordance with in-principle agreement and term sheet. Final review and agreement by all Parties. Endorsement by Council and reflection of Agreement in approval conditions. Inclusion of terms within new planning controls if relevant (e.g. Schedule to the Zone). Development and agreement to Section 173 Agreement to secure the Agreement and delivery terms.
6. Delivery	<ol style="list-style-type: none"> Subject to the site and agreement, the landowner may be required to produce further documents (such as a staging plan) confirming how the Affordable Housing will be delivered over time. Delivery of the Affordable Housing in accordance with the Agreement. Provision of evidence that title has been transferred of an agreed number of lots or dwellings in to an agreed Affordable Housing purpose.

Table 6: Process



2. Framework for determining Appropriateness of Affordable Housing

State Government published Matters	Response and Framework for Action
Housing Need	<ul style="list-style-type: none"> • There is a clear need for Affordable Housing in Yarra Ranges with an estimated 2016 Affordable Housing Supply gap of 1,839 dwellings. This is the estimated gap of dwellings that is required to respond to the housing needs of very low and low income households and is therefore expected to need to be delivered as Social Housing. • Council actions to facilitate these outcomes are in accordance with the objectives of planning in Section 4 of the <i>Planning and Environment Act 1987</i> and are required if the level of need is to be addressed. • The need is greatest for lower income households, particularly singles and couples for whom one and two-bedroom rental housing is appropriate. Affordable Housing that is appropriate for older persons, particularly single person households is also a key area of need. • There is a gap in affordability of home purchase for moderate income singles, couples and families.
Location	<ul style="list-style-type: none"> • Locations that provide convenient access to services and amenities are preferred locations for Affordable Housing delivery as they are more suited to development that can deliver the smaller dwellings required to respond to the identified need. • Other locations may be considered where the development and/or rezoning of a site would result in a residential density of 20 or more dwellings or lots. • Government owned land in reasonable locations is also a priority for Affordable Housing. • Access to support services is particularly important for higher need households who require both Affordable Housing and support to maintain their tenancy and participate in the community to their full capacity.
Type	<ul style="list-style-type: none"> • One and two-bedroom dwellings are the priority built-form to meet the unmet and forecast Affordable Housing need. • A percentage of Affordable Housing dwellings should be accessible for people with a disability. • Affordable Housing should be built to reflect market standards, with consideration to long-term affordability features balanced against upfront capital costs. • Adaptable design should also be incorporated to allow for changing household needs.
Tenure	<ul style="list-style-type: none"> • Both affordable rental and ownership tenures are required to respond to the evidence of need, with emphasis on Social Housing and Affordable Rental Housing for lower income households. • Affordable rental tenures could include housing owned or managed by a Registered Housing Agency (Social Housing) or potentially privately-owned dwelling managed under an appropriately regulated Affordable Housing arrangement (subject to the proposal).
Allocation	<ul style="list-style-type: none"> • A clear and accountable process of ensuring any dwellings delivered as Affordable Housing are allocated to households that meet either the <i>Planning and Environment Act 1987</i> published Affordable Housing income bands or Social Housing income eligibility is required. • Dwellings proposed to result in the ownership and/or management by a Registered Housing Agency will meet this requirement. • Dwellings proposed for a home purchase arrangement by an individual Eligible Purchaser must be allocated through an appropriately regulated process with an established process of income checking.
Affordability	<ul style="list-style-type: none"> • Dwellings proposed as Affordable Housing must be clearly intended to be affordable for the proposed household target group. An acceptable benchmark is that very low, low or moderate income households should not pay more than 30 per cent of their household income on housing costs. • Ownership and/or management by a Registered Housing Agency will meet this requirement (i.e. matter), reflecting that Housing Agencies are regulated to deliver rental affordability outcomes. • Evidence that a sale price or shared equity arrangement will be affordable for intended target groups will be required for any proposed purchase model.
Longevity of outcome	<ul style="list-style-type: none"> • The evidence indicates a forecast need for Affordable Housing therefore Affordable Housing that is delivered is expected to be intended for long-term use or for an appropriate arrangement to be implemented to ensure that the value provided to facilitate the Affordable Housing outcome is appropriately secured and reinvested in other



State Government published Matters	Response and Framework for Action
	<p>local Affordable Housing.</p> <ul style="list-style-type: none"> • Terms of affordability are likely to vary depending on the funding / investment source and conditions of that funding. Consideration of an appropriate set of legal requirements is required to ensure they do not impact on the availability of this funding to a housing agency, for example, limitations on household allocation that would further limit revenue. • Where the State Government or a Registered Housing Agency is the intended owner and manager it is expected the dwelling will be affordable for a considerable period without the need for restrictions on title. • Where the dwelling is provided into a Shared Equity arrangement, the future repayment of the equity must be applied to new shared equity housing in the Yarra Ranges Local Government Area.
Integration	<ul style="list-style-type: none"> • Integration of Affordable Housing built form across an area is supported with an objective that Affordable Housing is not concentrated in any one single location unless supported by a Registered Housing Agency. • Clustering of Affordable Housing dwellings may be appropriate in some circumstances due to proximity to transport and/or availability of land or sites or government redevelopment or investment strategy. Advice from a Registered Housing Agency should be sought to confirm the number of dwellings that is appropriate in any one location/site. • Externally, Affordable Housing should be not look different from market housing and be equal in design quality and standards. • For some residents of Affordable Housing that have more complex needs, other support services may be required to support these residents participate in their community.

Table 7: Outline Affordable Housing Framework in response to State Government Affordable Housing 'matters'

3. Delivery Models

Application of the Framework may result in a range of delivery models being agreed. Council's preferred model is the gifting of completed dwellings.

Model	Overview of the Model
Gifting of completed dwellings for use as Social or Affordable Rental	<ul style="list-style-type: none"> • The developer constructs dwellings and transfer the title at no cost to a Registered Housing Agency for use as Social or Affordable Rental Housing.
Discounted Sale of Dwellings for use as Affordable Rental Housing	<ul style="list-style-type: none"> • The developer constructs dwellings and sells at a defined discount to the established market value to a Registered Housing Agency for use as Social or Affordable Rental Housing.
Gifting or discounted sale of land for development as Affordable Housing	<ul style="list-style-type: none"> • The developer transfers an agreed parcel of land with the expected capacity to result in an agreed number of dwellings at nil consideration to a Registered Housing Agency. • The Registered Housing Agency is responsible for obtaining a planning permit (if required), financing and developing the agreed number of Affordable Housing units. A mix of Social or Affordable Rental and Affordable home purchase (Shared Equity) may be delivered through this model.
Sale of dwellings to individuals under a Shared Equity arrangement	<ul style="list-style-type: none"> • The developer agrees to sell an agreed number of completed dwellings to individual purchasers that are sourced and deemed to be eligible by an established shared equity arrangement managed by a not-for-profit entity and who would otherwise not be in a position to purchase (there being a gap between income/mortgage capacity and house prices). • The households undergo an income eligibility check and are supported by the Shared Equity manager to secure bank financing for an agreed and affordable proportion of the market value of the dwelling. • On sale, the purchaser will pay the developer the agreed amount, with the Shared Equity operator entering a contractual arrangement with the



Model	Overview of the Model
	<p>purchaser enabling it to appropriately secure the landowner contribution and recapture this on any future sale by the original purchaser.</p> <ul style="list-style-type: none"> On future sale the proportional shared equity provided to support the purchase arrangement will be reinvested in new shared equity arrangements.
<p>Sale of dwellings at a market price that is deemed to be Affordable to individuals</p>	<ul style="list-style-type: none"> The model requires clear demonstration that the market value of the property will be affordable for households that are deemed eligible (earning less than the State Government Affordable Housing income bands) without any discounting. If a discount or lower than market price is required for the property to be affordable then a shared equity arrangement must instead be applied. If dwellings are proven to be affordable without subsidy or discounting, the developer would be required to establish a clear process for checking income eligibility of potential purchasers. A Registered Housing Agency is recommended to be engaged to undertake this check. Households that meet the income eligibility requirement and that can secure bank financing can then enter a purchase arrangement with the developer. As there is no discounting, there is no ongoing affordability requirement for these dwellings.

Table 8: Summary of potential delivery arrangements

4. Potential Partners

The delivery of Affordable Housing requires several elements to come together which are influenced, managed or controlled by different stakeholders. This includes policy, land, design, planning, financing, construction, allocation and long-term property and tenancy management. Council acknowledges that Affordable Housing delivery must also be considered within the context of wider land-use planning, housing supply and diversity.

Governments, Registered Housing Agencies, other not-for-profit organisations, landowners, developers, and financiers are all important stakeholders.

Proposed partners and end owners or managers of Affordable Housing that may be delivered are summarised below:

Registered Housing Agencies

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

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

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

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



Agencies may have different priorities as to the locations and households they support. Agencies have strong links to wrap-around services and will generally link households to other agencies when other supports are required.

A Registered Housing Agency’s capacity to invest is limited by the proposed below-market revenue and need to meet all operating costs from rents. They are also responsible for ensuring the long-term maintenance of dwellings. Some Housing Agencies have the capacity to develop sites which can support some cost savings. This requires the agency to have funds and capacity to finance and deliver the project which typically requires government grants or other philanthropic funding in addition to the land provision.

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

Planning Applicants are encouraged to contact Housing Agencies (a list provided at Attachment 3) to further understand their capacity and interest in partnering as part of the negotiation process.

A list of Agencies is provided below. Information on Registered Housing Agencies is available at:

- Community Housing Industry Association – Victoria (<https://chiavic.com.au/>)
- Housing Registrar (<http://www.housingregistrar.vic.gov.au/Homepage>)

5. Affordability for Home Purchase Arrangements

Arrangements that seek to provide an Affordable Purchase outcome will need to demonstrate how the appropriateness, affordability and allocation requirements will be met as part of the planning application process.

To provide guidance to Applicants, Table 9 sets out estimated upper-end Affordable Housing price points (as at 2019/2020) for different household groups under the Affordable Housing income bands for Greater Melbourne. For these price points to be applied:

- Dwellings must be appropriate in terms of dwelling size and amenity for the household size (for example, a minimum two-bedrooms is required for a Family household);
- An independent process of verifying market value will be required to ensure there is no discounting, or if there is discounting or foregone revenue, evidence the difference will then be appropriately secured such as through shared equity.
- A lower price point should be adopted at the planning application stage, reflecting that the price points below assume the upper income limit for the household group and in turn borrowing capacity and that in practice, a lower income range will be required to be set for selling purposes.

Greater Melbourne Household type	Very low (50% median)			Low (80% median)			Moderate (120% median)		
	Income Limit	Affordable Rent	Affordable Purchase	Income Limit	Affordable Rent	Affordable Purchase	Income Limit	Affordable Rent	Affordable Purchase
Single	\$25,970	\$150	\$105,407	\$41,550	\$240	\$168,643	\$62,310	\$359	\$252,903
Couple	\$38,950	\$225	\$158,090	\$62,320	\$360	\$252,944	\$93,470	\$539	\$379,375
Family	\$54,520	\$315	\$221,285	\$87,250	\$503	\$354,130	\$130,870	\$755	\$531,174

Table 9: Indicative Affordable Rent and Purchase Price Points (2019/20 Affordable Housing Income Bands)

The estimated Affordable Housing price points will be updated annually by Council with reference to revised State Government published Affordable Housing income bands.



If a developer's intended product market price is demonstrated to meet or be below these indicative price points, then a process of ensuring allocation of the nominated dwellings to an eligible purchaser who can afford this price point will be required to be demonstrated. This is expected to involve a housing agency being engaged to undertake an income check and verifying household eligibility to purchase the nominated dwellings.

If a developer's intended product market price exceeds these indicative price points and the developer proposes to make the dwelling affordable for purchase (i.e. reduce the return so the price is below the indicative Affordable price point), then a shared equity arrangement or other appropriately regulated arrangement must be demonstrated to ensure that the dwelling will be affordable and allocated to eligible households. Critically, the difference between the market price and price that the dwelling is sold at will be appropriately held so as to not provide a 'windfall gain' to the first purchaser. Shared Equity is one model that can enable this outcome to be achieved.

6. Shared Equity (Affordable Home Ownership)

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

- Victorian Government pilot program 'HomesVic', supporting an initial 400 households through a State Government Shared Equity arrangement. This program requires households to meet income eligibility requirements set by the State, have a 5 per cent deposit, secure a mortgage and find a property to purchase in the market. The shared equity 'social equity' in this program is provided by the State Government with the developer realising full market value. This model is not expected to be applied to outcomes under this Framework.
- Not-for-profit established Shared Equity Program, BuyAssist Australia. This or any other model established by a not-for-profit entity is considered appropriate means of delivering shared equity arrangements.

As BuyAssist is currently the only operating model, a summary of the program process is outlined below.

- Through the BuyAssist program shared equity arrangements may be delivered on government owned land as a result of a land sale or privately owned land as a result of a planning negotiation. In planning agreed outcomes:
- The developer is required to forego an agreed percentage of market value and sell the dwelling to an eligible purchaser nominated by BuyAssist (or any other Shared Equity program).
- BuyAssist provides advice on the level of developer contribution required (the social equity), to ensure the property will be affordable for the household to purchase. BuyAssist undertakes an assessment of household eligibility to confirm the household earns less than the income limits and has capacity to service a mortgage. This process establishes the household's purchasing capacity and in turn the contribution required by the developer.
- BuyAssist markets the properties to households assessed as eligible to purchase and refers the household to enter a contract of sale with the developer.
- On settlement the developer receives from the purchaser, typically in the form of bank funding, an agreed percentage of the property market value.
- BuyAssist enters a legal agreement with the purchaser which enables it to secure the proportional social equity (i.e. the proportion of market value provided by the developer foregoing return) in the form of a second mortgage.
- When the purchaser elects to refinance or sell the property, BuyAssist is repaid the social equity, calculated as a proportion of the end market value based on the proportional equity provided at settlement (i.e. if 30 per cent was provided then 30 per cent of the future value is repaid). BuyAssist through its not-for-profit owner, determines a reinvestment strategy and secures a new shared equity purchaser arrangement for a new dwelling.

Other not-for-profit agencies may also establish shared equity programs which could meet the requirements of ensuring the dwellings are appropriate, affordable and allocated to eligible households.

