

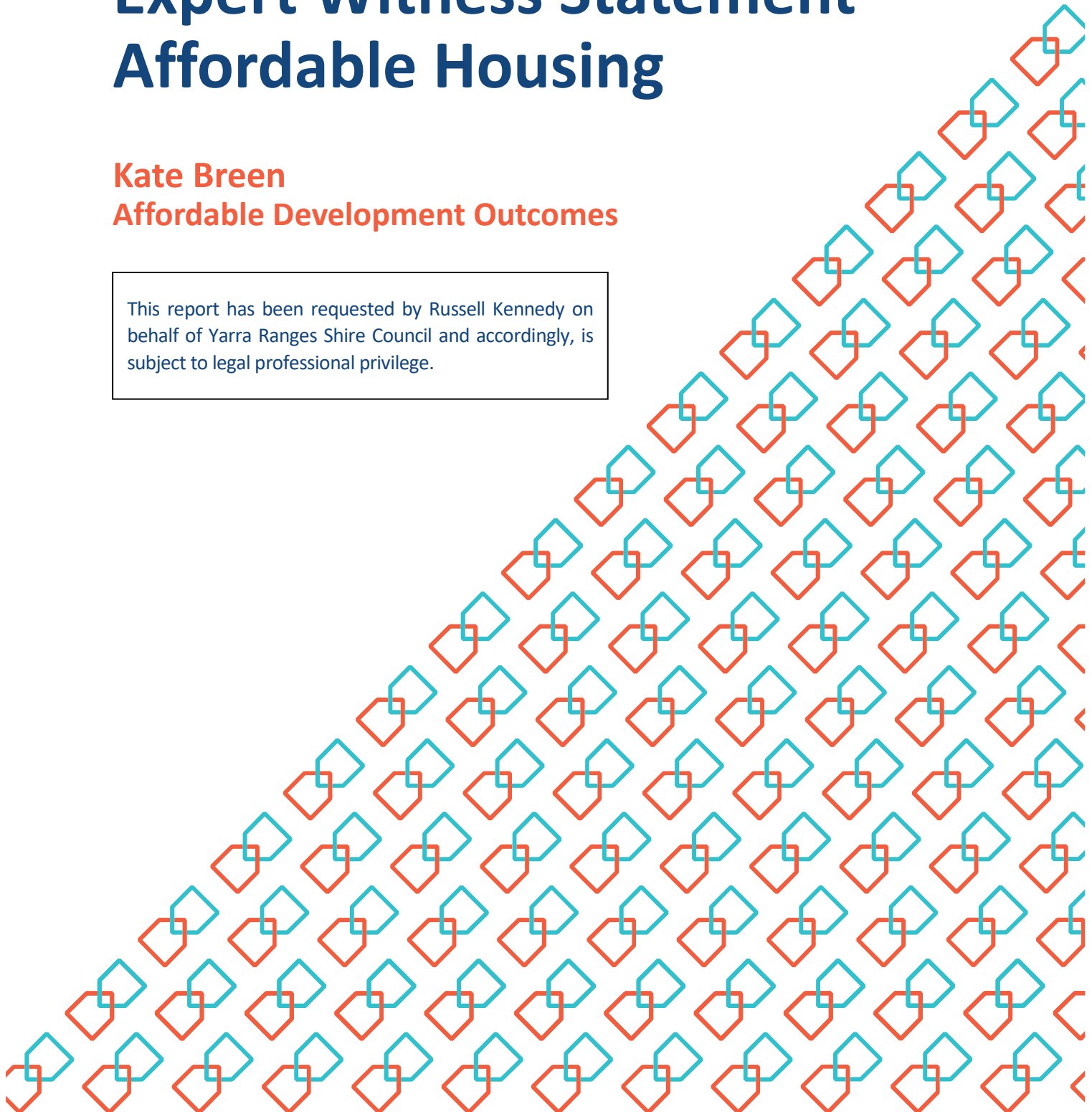


**AFFORDABLE  
DEVELOPMENT  
OUTCOMES**

# **Draft Amendment C193yan Expert Witness Statement – Affordable Housing**

**Kate Breen**  
**Affordable Development Outcomes**

This report has been requested by Russell Kennedy on behalf of Yarra Ranges Shire Council and accordingly, is subject to legal professional privilege.



# Contents

- Introduction ..... 1**
  - 1. Qualifications and Scope ..... 1
  - Declaration..... 2
  
- Summary of Evidence ..... 3**
  - 2. Background ..... 3
  - 3. Summary Opinion and Recommendations..... 5
  
- Framework for Assessing a Proposed Affordable Housing Provision ..... 10**
  - 4. Affordable Housing Definition and Matters Requiring Consideration..... 10
  - 5. Policy Basis for Affordable Housing..... 11
  - 6. Planning System Support for Affordable Housing..... 12
  
- Lilydale Quarry Proposed Affordable Housing Inclusion ..... 15**
  - 7. Overview of planning references and proposed strategies..... 15
  
- Assessment of Proposal..... 20**
  - 8. Assessment Summary ..... 20
  - 9. Proposed Response to the Evidence of Affordable Housing Need ..... 24
  - 10. Review of Affordable Development Outcomes Draft Strategy against Matters ..... 26
  - 11. Summary of Assessment and Recommended Changes to the Draft Planning Controls..... 28
  
- Attachment 1: Yarra Ranges Affordable Housing Background Report ..... 31**
  
- Attachment 2: Draft Affordable Housing Development Negotiations Framework..... 31**
  
- Attachment 3 – Draft Lilydale Quarry Affordable Housing Strategy..... 31**
  
- Attachment 4: Examples of Planning Agreements ..... 32**
  
- References..... 35**



# Introduction

## 1. Qualifications and Scope

- 1.1. My name is Kate Breen and I am a Director at Affordable Development Outcomes, at the registered business address 32 Swan Street, Footscray, Victoria, 3011.
- 1.2. I hold a Master of International Urban and Environmental Management, RMIT University (Victoria) and a Bachelor of Arts, Flinders University (South Australia).
- 1.3. I have over 15 years of dedicated professional experience in Affordable Housing policy, program management and delivery roles in the South Australian and Victorian State Governments, the Victorian Urban Land Development Authority, and as owner and lead consultant of Affordable Development Outcomes where I specialise in the provision of strategic advice in relation to Affordable Housing strategy and delivery at State and local government policy and site-specific levels. Examples of my expertise includes:
  - Undertaking of research, preparation of advice and development of municipal-wide Affordable Housing strategies for Local Governments.
  - Provision of advice and development of site-specific Affordable Housing strategies for landowners, the Victorian Planning Authority and councils in relation to significant proposed planning amendments.
  - Development of guidelines to support translation and application of Affordable Housing objectives within the Fishermans Bend Planning Policy into site-specific agreements.
  - Provision of advice to landowners and development and execution of Affordable Housing delivery strategies arising from a planning permit condition.
  - Advice to the State Government on the incorporation of the definition of Affordable Housing within the *Planning and Environment Act 1987* ('the Act') to support translation into practice.
  - Managing the implementation of the National Rental Affordability Scheme (NRAS) in Victoria from 2008 to 2010, including assessing applications and making recommendations for government subsidy for over 3,000 properties.
  - Providing advice to support the Affordable Housing Industry Advisory Group ([www.ahiag.com](http://www.ahiag.com)) inform Affordable Housing related policy and implementation with a focus on planning related provisions.
  - Development and delivery of an Affordable Housing Masterclass in conjunction with the Affordable Housing Industry Advisory Group. The Masterclass provided an in-depth translation of the Affordable Housing definition and voluntary planning negotiation framework into practice, targeted to Local Government officials and planners.
  - Completion of a Churchill Fellowship to investigate planning provisions to facilitate Affordable Housing in the UK, USA and Canada.
- 1.4. I was instructed by Russell Kennedy to report, consider and address in relation to Draft Amendment C193yran:
  - The earlier work undertaken by me in respect of the Proposal. Review of those aspects of the Proposal (currently in draft); and
  - Submissions relevant to my area of expertise.



- 1.5. In preparing this Expert Witness Statement ('Statement') I had given regards to:
- 1.5.1. Legislation, planning schemes and policies relevant to the planning and development of Social and Affordable Housing in Victoria;
  - 1.5.2. The definition of Affordable Housing and specified matters referred to under the Act which "regards must be had for the purposes of determining what is appropriate for the needs of very low, low and moderate income households";<sup>i</sup>
  - 1.5.3. *Yarra Ranges Affordable Housing Background Report* ('the Background Report'), draft *Yarra Ranges Affordable Housing Development Negotiation Framework* ('the Framework'), and the *Draft Lilydale Quarry Affordable Housing Strategy* ('the Draft Strategy'), prepared by Affordable Development Outcomes for Yarra Ranges Shire Council ('Council') in 2019 and attached to this Report (**Attachments 1, 2 and 3**);
  - 1.5.4. The Applicant's response to evidence of need for Affordable Housing set out in the *Lilydale Quarry Affordable Housing Needs Assessment* (Urbis, 2020) and the resulting *Kinley Affordable Housing Proposition* (Urbis, 2020) ('the Proposition');
  - 1.5.5. The following additional documents:
    - Former Lilydale Quarry: Planning Scheme Amendment – Planning Report (Urbis, October 2020);
    - Lilydale Quarry - Comprehensive Development Plan – (Urbis, October 2020)
    - Draft Local Planning Policy (Lilydale Quarry) and proposed Schedule 1 to Clause 37.02 CDZ (November 2020);
    - Lilydale Quarry Housing Supply and Demand Analysis (SGS Economics and Planning December 2016); and
    - Yarra Ranges Council Submission to the VPA Former Lilydale Quarry Proposed Amendment C193 to the Yarra Ranges Planning Scheme (2020).
  - 1.5.6. Draft planning controls submitted to the Standing Advisory Committee

## Declaration

- 1.6. In preparing this Statement I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have, to my knowledge, been withheld from the Standing Advisory Committee.



**Kate Breen**

Affordable Development Outcomes

21 May 2021



# Summary of Evidence

## 2. Background

- 2.1. This Expert Witness Statement sets out my opinion in relation to the proposed Affordable Housing aspects of Draft Amendment C193yrn for the former Lilydale Quarry Stage 2, also known as the ‘Kinley development’.
- 2.2. Stage 1 comprised 20 hectares and was rezoned General Residential Zone Schedule 2 through Amendment C139. I understand approximately 200 dwellings are being delivered in the first stage and that there is no requirement for Affordable Housing.
- 2.3. Draft Amendment C193yrn proposes the rezoning of Stage 2 of the quarry site to Comprehensive Development Zone Schedule 1 to support development of a mixed-use development comprising approximately 3,216 residential lots<sup>1</sup>, a town centre, parks and recreational spaces. A Comprehensive Development Plan (CDP) and a Schedule to the Zone are intended to guide development.
- 2.4. The Act establishes that one of the objectives of planning is “to facilitate the provision of Affordable Housing in Victoria” (1(fa)) and:
  - defines Affordable Housing as “housing, including Social Housing, that is appropriate for the housing needs of any of the following - very low, low, moderate income households.”
  - establishes through a Governor in Council Order and Ministerial Notice, the household income ranges and the range of matters that “regard must be given to” when determining what is appropriate for the housing needs of very low to moderate income households.
- 2.5. Social Housing is defined under the *Housing Act 1983* (‘the Housing Act’) as public housing and housing “owned, controlled or managed by a participating registered housing agency”. Separate income eligibility and asset tests apply to households applying for Social Housing via the Victorian Housing Register.
- 2.6. Matters which must be considered when assessing the appropriateness of an intended built form for Affordable Housing are housing need, affordability, allocation, tenure, dwelling typology, location, and integration. State Government guidance in 2018 also emphasised that consideration should be given to how the dwellings will be delivered into the Affordable Housing purpose and the investment subsequently managed.
- 2.7. The Act does not mandate Social or Affordable Housing. State Government policy supports a local government can facilitate the provision of Affordable Housing through an agreement with a landowner at the rezoning or permit approval stage.
- 2.8. Attachment 3 sets out examples of requirements of between 5 per cent and 20 per cent Affordable Housing have been set and reflected in a Schedule to a Zone in several rezonings.
- 2.9. Affordable Development Outcomes was engaged by Council in 2019 to undertake the following pieces of work:
  - development of the ‘Yarra Ranges Affordable Housing Background Report’ (‘the Background Report’) (**Attachment 1**) and a draft ‘Yarra Ranges Affordable Housing Development Negotiation Framework’ (‘the draft Framework’) (**Attachment 2**); and

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<sup>1</sup> The figure of 3,216 residential lots is drawn from Urbis (2020) *Kinley Affordable Housing Proposition* and has been used as the reference to assessing the proposed Affordable Housing contribution.



- development of a draft 'Lilydale Quarry Affordable Housing Strategy' ('the draft Strategy') (**Attachment 3**).

- 2.10. The Background Report was provided to the landowner as part of discussions I attended with Council and the landowner in 2019. The Background Report and draft Strategy were attached to the Council submission to the consultation on the draft Amendment.
- 2.11. The purpose of these documents was to establish Affordable Housing needs in Yarra Ranges; highlight issues and opportunities to increase supply; identify different delivery options; and to provide a strategic basis and framework for Council to facilitate Affordable Housing through the planning system in accordance with its obligations under the Act.
- 2.12. The draft Framework drew on the evidence of need and proposed developments over 500 lots provide 8 per cent Affordable Housing, with a preference that the majority of dwellings were delivered as Social Housing suitable for very low and low income households. The draft Framework noted a preference that dwellings are gifted to a registered housing agency whilst recognising that other mechanisms including gifting of land or discounted sale may be applied on larger sites.
- 2.13. The draft Strategy reflects the draft Framework and sets out a site-specific strategy for the quarry; proposing 8 per cent Affordable Housing with an emphasis on Social Housing. A range of delivery models and principles in response to the legislated matters were set out as the basis for an agreement and planning control.
- 2.14. The landowner submitted the *Lilydale Quarry Affordable Housing Needs Report* (Urbis, 2020) and the *Kinley Affordable Housing Proposition* ('the 'Proposition') (Urbis, 2020) as reference documents to the planning report. The Proposition is for 5 per cent Affordable Housing with proposed targeting/allocation of this housing summarised at Table 1.

	Number of Dwellings*	% of proposed 5% Affordable Housing	Percentage of Estimated Yield*	Household Targeting	Tenure
Crisis, Social Rental	28	17.1%	<b>0.87%</b>	Very Low Income	Rental
Affordable Rental	40	24.5%	<b>1.24%</b>	Low – Moderate Income	Rental
Shared Equity, Affordable Purchase	65	39.8%	<b>2.02%</b>	Moderate Income	Home ownership
Key Worker	30	18.4%	<b>0.93%</b>	Moderate Income	Home Ownership
<b>Total</b>	163 dwellings	99.8%	<b>5.06%</b>		

Table 1: Applicant proposed Affordable Housing strategy by product

\*based on assumed yield of 3,216 dwellings (Source: Urbis 2020)

- 2.15. The draft Schedule to the Zone proposes 5 per cent Affordable Housing by way of the owner of the land entering into an agreement under section 173 of the Act that requires the owner of the land to provide for either:

*“Delivery of affordable dwellings, or land lots for construction of affordable dwellings, equal to 5% of the total dwellings proposed to be delivered across Precinct 1, Precinct 2, Precinct 3 and Precinct 4, rounded to the nearest whole number, or any lesser number of dwellings as agreed between the owner and the responsible authority; or*



*The provision of affordable housing by any agreed alternative method generally consistent with the value of the above provision.”*

2.16. My assessment for this Statement was made with reference to:

- the legislated definition and matters that require consideration as set out by the Act, Ministerial Notice and government guidance;
- the evidence of Affordable Housing demand in Yarra Ranges LGA;
- the draft Strategy I prepared for the site in 2019;
- examples of agreements on similar sized sites; and
- my experience in assessing need, structuring Affordable Housing delivery strategies and drafting planning controls and section 173 Agreements.

2.17. I understand the landowner and Council have not reached agreement on the amount or delivery mechanism or have entered negotiations for a Section 173 Agreement. My assessment for this Statement entailed a review of the Proposition and the draft planning controls and considered:

- whether Affordable Housing need in Yarra Ranges has been established and what the evidence indicates in terms of unmet demand levels, priority households and their housing requirements (particularly tenure, cost and bedroom number) to address the identified need;
- whether the applicant’s Proposition appropriately responds to the evidence of need and whether there is sufficient detail in the Proposition and the draft planning controls to provide assurance that the resulting housing will be delivered and will be appropriate, affordable and allocated to households in need of Affordable Housing for a sufficient period;
- how the applicant’s Proposition compares to the strategy I prepared for the site in 2019, and if I still consider this draft strategy to be an appropriate response to the Act and matters; and
- whether the level of detail proposed in the draft CDP and in the draft Schedule to the Zone in relation to Affordable Housing provides sufficient clarity and information to guide the development of a Section 173 Agreement and hold a landowner to account for delivery.

2.18. My analysis for this Statement highlights variation between the Proposition tabled by the applicant and the draft Strategy I prepared, including on the amount of Affordable Housing to be delivered and the intended allocation in terms of tenure and priority household groups; the level of detail as to how the matters are addressed to ensure appropriateness of the proposed housing; and how the Affordable Housing is expected to be delivered and managed over time.

2.19. I understand that unless revised or further clarified in the Comprehensive Development Plan and/or the Schedule to the Zone, the applicant’s Proposition would be considered to act as the delivery strategy for any Affordable Housing agreed for the site and would be referenced by the landowner in the finalisation of a Section 173 Agreement.

### **3. Summary Opinion and Recommendations**

**It is my opinion that:**

- 3.1. The Act requires Council to facilitate the provision of Affordable Housing and provides a framework to develop and assess a proposed Affordable Housing outcome in terms of its appropriateness and likelihood of resulting in housing that will meet the needs of eligible households in need.
- 3.2. To support the practical application of the definition and the specified matters it is imperative that the following check is undertaken to ensure that a proposal will result in a genuine and appropriate Affordable Housing arrangement in accordance with the intentions of the Act:

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



- *appropriate, in terms of a response to housing need and built form type, size and location;*
  - *affordable in terms of rent or purchase price, with the commonly agreed benchmark that lower income households should not pay more than 30 per cent of income on housing costs; and*
  - *allocated (rented or sold),*
- to very low, low or moderate-income households that meet the published income criteria and need an Affordable Housing response?*

3.3. The critical questions that must be considered at the rezoning stage and subsequently reflected in the planning controls to provide sufficient certainty as to the outcome are:

- What is the evidence of Affordable Housing need and what is an appropriate response in terms of quantum and type of housing, tenure and price?;
- How will the Affordable Housing be delivered (funded and constructed) and by whom?;
- How the built-form be appropriate in terms of addressing housing need, location, tenure, housing type and integration?;
- How will the built-form be affordable and allocated (rented or sold) to eligible households and how will this be determined at the point the dwelling is constructed?;
- How long will the dwellings be available as Affordable Housing?;
- What mechanisms will ensure appropriate management of outcomes over time?; and
- What timeframe will the Affordable Housing be delivered?

3.4. State Government and Council policy and precedents set by recent Planning Panel and Advisory Committee reviews support an Affordable Housing inclusion being determined at the point of rezoning and the reflection of sufficient detail of the arrangement in the planning controls.

3.5. As no Affordable Housing was required in Stage 1, any requirement for Stage 2 should take into consideration the overall yield to be delivered across the entire quarry site.

3.6. The first matter of 'housing need' is addressed by clear and significant evidence set out in research undertaken by Affordable Development Outcomes for Council and by Urbis for the applicant. This evidence establishes:

- very low levels of Affordable Housing in Yarra Ranges LGA, with an estimated 622 persons considered homeless (a 25 per cent increase between 2011 and 2016) and 75 per cent of very low and low income renter households (2,434 households) in housing stress (paying more than 30 per cent of gross household income on rent) in 2016<sup>ii</sup>;
- only 1.14% of all households were living in Social Housing in the LGA in 2016, with an estimated shortfall of between 1,839 and up to 8,051 Affordable Housing dwellings as at 2019/20;<sup>2</sup> indicating that up to 13 per cent of residents living in Yarra Ranges require a dedicated Affordable Housing response;<sup>iii</sup>
- 22 per cent of new housing supply is needed to be delivered as dedicated Affordable Housing in order to meet the conservative estimate of unmet demand for 1,839 new Affordable Housing dwellings;<sup>iv</sup>
- very low and low income households, particularly singles and couples, experience high levels of housing stress with significant gaps between income capacity of these households and average rents and house prices;<sup>v</sup> and
- based on average house prices in Yarra Ranges, some moderate income households may not be able to afford to purchase without assistance and a number of very low and low income households with a mortgage are also experiencing housing stress.<sup>vi</sup>

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<sup>2</sup> The range is due to the different assumptions used by Affordable Development Outcomes and Urbis to estimate Affordable Housing demand.





- 3.7. The need to incorporate Affordable Housing to respond to demand is not in dispute.
- 3.8. The Proposition, draft Comprehensive Development Plan and draft Schedule to the Zone do not satisfactorily respond to:
- the matters that must be considered in accordance with the Act to ensure appropriateness of an intended built-form for Affordable Housing;
  - the significant evidence of need and Council policy objectives for an increase in Affordable Housing in Yarra Ranges LGA;
  - the evidence that it is very low to low income households that are in most acute need of a dedicated Affordable Housing response in Yarra Ranges LGA, specifically Social Housing that is owned and managed by a registered housing agency.
- 3.7. The Proposition does not provide sufficient certainty as to how:
- Affordable Housing dwellings will be delivered, with limited and non-committal references in the Proposition to ways outcomes “could” be achieved;
  - “Key worker” is defined (noting there is no definition within the Act) and if these households meet the income eligibility for Affordable Housing;
  - affordability will be determined in terms of sale price for proposed sale and rental arrangements;
  - the proposed sale of 3 per cent of dwellings at market or near-market prices will support eligible households in housing stress and in need of support, noting the Urbis (2020) analysis of demand highlights that moderate income households and ‘key workers’ are already catered for in this market and have incomes that exceed the Act eligibility, and are therefore expected to require limited or no subsidised assistance to access housing that is affordable;
  - the delivery of “Key Worker Housing”, “Affordable Dwellings” and “Shared Equity” housing would be structured to ensure any discount is protected and does not provide windfall gain to the first purchaser;
  - long the majority of dwellings will be retained as Affordable Housing and investment provided by the developer in terms of land or discounts will be secured and regulated if not owned by a registered housing agency; and
  - “Affordable Rental Dwellings” if provided under a lease model, would be affordable, allocated and managed and for how long they would be retained as Affordable Housing.
- 3.9. The draft Framework I developed for Council in 2019 establishes a clear and justified basis for confirming the amount, type and delivery mechanisms to achieve Affordable Housing on the site. This framework establishes that as over 500 lots are proposed, 8 per cent Affordable Housing should be delivered.
- 3.10. A minimum 5 per cent of the 8 per cent should result in Social Housing with dwellings owned and managed by a registered housing agency, reflecting:
- the most acute need is for housing that is appropriate for very low to low income households;
  - Social Housing, being housing operated, owned or managed by a registered housing agency, will most appropriately address this demand and respond to the matters under the Act; and
  - As housing agencies are regulated by the State Government there is significant comfort as to the long term and appropriate use of these dwellings beyond the landowner-Council agreement.
- 3.11. Three (3) per cent Affordable Housing (in addition to the 5 per cent) should support low to moderate income households and may result in rental or ownership outcomes subject to:
- the landowner demonstrating the appropriateness of the response against the range of matters including to ensure affordability and allocation to eligible households in need; and
  - sufficient processes and/or regulation being put in place to ensure investment by the landowner to support affordability is appropriately secured either by ownership or management oversight



of the dwellings by a registered housing agency or any other regulated arrangement that ensures no 'windfall gain' by first purchasers.

- 3.12. Without clarification, the draft Schedule to the Zone when read with the Proposition would not address or appropriately respond to established housing need and could result in the majority of the applicant proposed Affordable Housing being targeted to moderate income earners (and potentially high income 'key workers') through the sale of market priced or slightly below-market priced dwellings (achieved in part through dwelling density and dwellings being smaller than surrounding locations).
- 3.13. The current draft Schedule does not provide certainty and lacks sufficient detail to guide the development of a Section 173 Agreement and subsequent delivery. Determining and reflecting sufficient detail in the Schedule to the Zone is critical to ensuring clarity for all parties as to the amount, type, targeting, affordability and mechanism(s) by which the Affordable Housing will be realised. This will provide clear parameters from which to develop a Section 173 Agreement to secure the arrangement.
- 3.14. The key points for analysis and advice by the Standing Advisory Committee relate to:
- the appropriate amount of Affordable Housing to be delivered and the associated tenure (rental or home ownership) and household income targeting; and
  - what detail should be provided within the Comprehensive Development Zone and Schedule to the Zone to guide delivery and ensure that the development will result in housing that is appropriate, affordable and allocated to eligible households in need of Affordable Housing, including Social Housing.

**I recommend that:**

- 3.15. Eight per cent Affordable Housing inclusion is applied as an appropriate response to the evidence of need and policy framework, to comprise:
- a minimum 5 per cent of dwellings to be delivered into a Social Housing purpose through the gifting of land and/or the sale of completed dwellings at an appropriate discount to a registered housing agency; and
  - an additional 3 per cent of dwellings to be delivered as affordable rental housing and/or as affordable home ownership under an appropriately regulated structure that ensures appropriateness, allocation and affordability for households in need.
- 3.16. The Comprehensive Development Plan is updated to reference the inclusion of Affordable Housing as a specific Objective and Requirement under section 4.1 ('Housing, Retail and Commercial Requirements'):
- Include a new Objective that *"8 per cent of the total residential yield is Affordable Housing, including Social Housing, that is appropriate, affordable and allocated to very low, low and/or moderate income households in need."*
  - Include a new Requirement that *"The Development must provide for the delivery of affordable, appropriate and integrated Affordable Housing, to comprise no less than 8 per cent of the total residential yield, 5 per cent of which must result in Social Housing that is suitable for very low to low income households to rent."*
  - Include Guidelines that:
    - Affordable Housing is to be appropriate in terms of responding to housing need, location, dwelling type, tenure, and cost and be made available to rent or purchase by eligible very low, low or moderate income households.
    - Affordable Housing may be delivered through the gifting of land or dwellings or the discounted sale of dwellings to a registered housing agency, and for a maximum 3 per cent



of the requirement, through a sale to eligible low to moderate income earners under an appropriately regulated affordable home ownership / shared equity model.

- Affordable Housing that is not owned by a registered housing agency must be secured for this purpose for a minimum 30-year term, or where dwellings are sold to an individual, include a mechanism to ensure the investment is secured, repaid and reinvested over time.

3.17. The Schedule to the Zone is amended with the following wording to provide sufficient certainty and clarity as to the Affordable Housing outcomes that will be realised:

*A permit must not be granted to subdivide land to facilitate residential development until the owner of the land enters into an agreement with Yarra Ranges Shire Council ("Council") under section 173 of the Act for the provision of 8 per cent Affordable Housing.*

*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, and must provide for the delivery of an 8 per cent Affordable Housing Contribution, which must comprise:*

- 1) *A minimum 5 per cent of dwellings to be delivered into a Social Housing purpose through the gifting of land or the sale of completed dwellings at a sufficient discount to a registered housing agency to support the renting of dwellings to households that meet the Victorian Housing Register eligibility requirements; and*
- 2) *A maximum 3 per cent of dwellings to be delivered as affordable rental housing and/or affordable home ownership through the gifting or discounted sale of land or dwellings, and/or the long-term leasing of dwellings, where dwellings are appropriate, affordable and allocated to low to moderate income households as defined by the Act for an agreed period under an appropriately managed and regulated model.*

*The agreement must set out the parameters of the Affordable Housing that is to be delivered and include:*

- *The mechanism by which the Affordable Housing will be delivered including the discount rate or shared equity contributions and the mechanism(s) that will ensure the contribution is appropriately secured and used for an Affordable Housing purpose for the agreed period;*
- *The dwelling mix to be achieved, which may include a focus on one and two-bedroom dwellings;*
- *The term of use, which must be for a minimum 30-year term for any rental dwelling not owned by a registered housing agency and the securitisation and reinvestment of any investment that supports subsidised home ownership should dwellings be subsequently sold;*
- *A plan for how the Affordable Housing will be integrated across the site;*
- *The timeframes by which the Affordable Housing is to be delivered, which must be no later than:*
  - *For at least half of the 8 per cent Affordable Housing inclusion (4% of all dwellings); by the time that planning permits have been issued for 60 per cent of the total agreed stage 2 residential yield; and*
  - *For all of the 8 per cent Affordable Housing; by the time that planning permits have been issued for 85 per cent of the total agreed stage 2 residential yield.*

*For the purposes of the agreement "Affordable Housing" is to have the same meaning as any definition of that phrase contained within the Planning and Environment Act 1987.*



# Framework for Assessing a Proposed Affordable Housing Provision

## 4. Affordable Housing Definition and Matters Requiring Consideration

4.1. Affordable Housing is defined at Section 3AAA(1) of the Act as:

*“Affordable Housing is housing, including Social Housing, that is appropriate for the housing needs of any of the following:*

- *Very low income households;*
- *Low income households;*
- *Moderate income households.”*

Social Housing is defined by the Housing Act Section 4.1 as:

- *“Public housing; and*
- *Housing owned, controlled or managed by a participating registered agency.”*

A “participating registered agency” is defined by the Housing Act as an organisation declared by the Director of Housing as a rental housing agency under the Housing Act, registered as either a housing association or a housing provider.

Housing agencies are not-for-profit organisations regulated by the Housing Registrar that have a purpose to own and/or manage housing for vulnerable and lower income households. Households that are determined to be eligible for Social Housing are placed on the Victorian Housing Register, which has its specific income eligibility and asset tests.

4.2. Figure 2 highlights the range of Affordable Housing programs that sit across the housing spectrum.

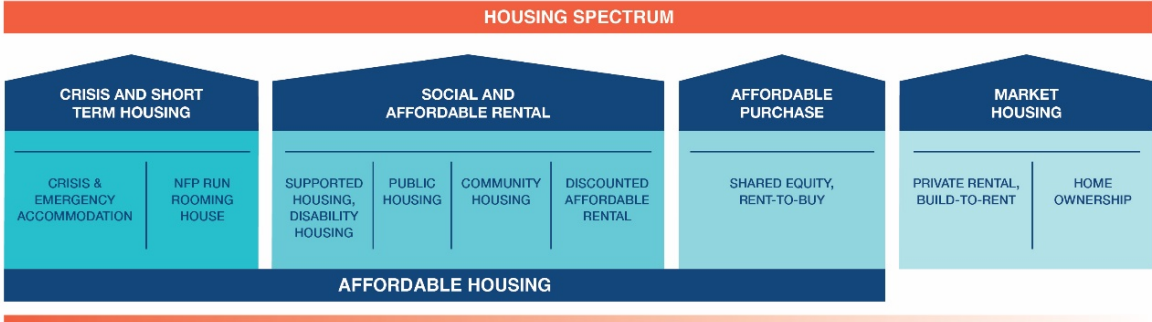


Figure 1: Housing spectrum showing Affordable Housing programs (Source: Affordable Development Outcomes)

4.3. ‘Very low, low and moderate income households’ is determined with reference to household income ranges specified by Order of the Governor in Council published in the Government Gazette under section 3AB of the Act. Income bands are published for Greater Melbourne and Regional Victoria and updated annually. Social Housing income eligibility is set by the Director of Housing.

4.4. Section 3AA (2) of the Act states that for the purposes of defining Affordable Housing and determining what is appropriate for the housing needs of very low, low and moderate income households, regard must be given to matters specified by the Minister by notice. Table 2 sets out the matters and a checklist that I apply to assess if a planning proposal will result in an appropriate Affordable Housing outcome:



Specified Matters	Affordable Development Outcomes translation and checklist to assess proposals
Official Estimates of Housing Need	Will the dwelling respond to official estimates of housing need in terms of location, dwelling type, price and amenity?
Allocation	Will the sale or management result in a process that ensures the dwelling is allocated (rented or sold) to a very low, low or moderate income household in need that earn below the income bands established under the Act?
Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)	Will the dwelling be affordable for the household to rent or purchase, generally accepted to be that the household pays no more than 30 per cent of their gross household income on rent, or how will this be determined at the point the dwelling is constructed?  What consideration is given to long term affordability features to reduce housing costs?
Tenure	What is the tenure (rental, ownership) and is appropriate for the intended household, reflecting evidence of housing need and household income capacity?
Type of housing, in terms of form and quality	Does the dwelling typology respond to the housing need of a very low, low or moderate income household in terms of household size and bedroom number, amenity and dwelling accessibility?
Location in terms of site location and proximity to amenities, employment and transport	Will the dwelling in an area with reasonable access to transport and services suitable for the needs of intended households? Is housing intended for very low income or households with a disability within an appropriate walking distance to public transport and/or amenities?
Integration in terms of the physical build and local community	How will the dwelling be integrated within the neighbourhood and/or development in terms of external built form to ensure they are not distinguishable from market housing? If there is concentration, is it supported by a housing agency or will there be a process to confirm appropriateness with an agency?
Longevity (in terms of the public benefit of the provision)	How long will the dwellings be available for an Affordable Housing purpose and is this an appropriate length of time commensurate to the investment made under the planning agreement to support delivery? How is any subsidy provided to support home ownership protected to ensure no 'windfall gain' by first purchasers.

Table 2: Affordable Development Outcomes framework for applying specified matters for assessing appropriateness of a proposed Affordable Housing outcome

4.5. This framework is summarised by the following key question which I apply as a 'check' when assessing proposals:

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

- *appropriate, in terms of a response to housing need and built form type, size and location;*
- *affordable in terms of rent or purchase price, with the commonly agreed benchmark that lower income households should not pay more than 30 per cent of income on housing costs; and*
- *allocated (rented or sold),*

*to very low, low or moderate-income households that meet the published income criteria and need an Affordable Housing response?*

## 5. Policy Basis for Affordable Housing

5.1. The importance of Affordable Housing to the sustainable growth of Yarra Ranges is recognised in several policy documents of the Council including the Vision 2020 Community Plan, Council Plan 2017-2021, Action Plan 2018-19 and Health and Wellbeing Strategy 2017-2021.<sup>vii</sup>



- 5.2. State Government policy support for the delivery of Affordable Housing is established in Plan Melbourne, ‘Homes for Victorians - *Affordability, Access and Choice*’ (2017) and reflect that:
- there is significant evidence of Affordable and Social Housing need across Victoria with the highest need experienced by very low and low income households and people facing other disadvantage;
  - there are multiples program responses and mechanisms by which the costs of delivering and managing Affordable Housing can be met;
  - governments have several tools they can utilise to enable and facilitate Affordable Housing, including land, funding, financing and planning;
  - the planning system has a role in facilitating the provision of Affordable Housing; and
  - registered housing agencies are the preferred managers of new Social and Affordable Housing.
- 5.3. The State Government ‘Big Housing Build’ commitments reinforce the importance of Social and Affordable Housing and include:
- \$5.3 billion in funding to support redevelopment of public housing, investment in housing agencies developing land and purchasing properties, and funding for partnerships between government, the private sector and community housing sector;
  - new planning provisions to apply to applications that include a significant proportion of Affordable Housing (Clauses 52.2 and 53.2); and
  - a commitment to develop a 10-year strategy to provide longer term certainty in relation to investment and policy settings and targets.<sup>viii</sup>
- 5.4. The investment under the Big Housing Build is not intended replace a contribution to be made by a landowner as a result of a planning decision. The government investment provides greater certainty that if a Housing Agency were to receive land or have an opportunity to purchase dwellings at a discount that it would be able to source the required funding and financing to deliver.
- 5.5. The Federal Government is also supporting housing agencies through low cost financing via the National Housing Finance and Investment Corporation (NHFIC).<sup>ix</sup>

## 6. Planning System Support for Affordable Housing

- 6.1. Section 4(1)(fa) of the Act is to “*facilitate the provision of Affordable Housing in Victoria*”.
- 6.2. The Victorian Planning Policy Framework Clause 16 (Housing) highlights that planning for housing should include the provision of land for affordable housing and:
- Clause 16.01-2S (Housing Affordability) includes strategies to improve housing affordability and increase the supply of well-located affordable housing by encouraging a significant proportion of new development to be affordable for households on very low to moderate incomes and facilitating a mix of private, affordable and social housing in suburbs, activity centres and urban renewal precincts; and
  - Clause 16.01-1S – Housing Supply notes that strategies are required to ensure that an appropriate quantity, quality and type of housing is provided, including housing suitable for older people, supported accommodation for people with disability, rooming houses and high quality Social Housing, and to support opportunities for a range of income groups to choose housing in well-serviced locations.
- 6.3. Clause 21.04-1, Objective 2 of the Yarra Ranges Planning Scheme aims to “*encourage a diversity of dwelling types to meet the needs of the population*” through a range of strategies including to “*Encourage the provision of affordable housing components in new developments in identified consolidation areas and other locations that provide convenient access to town centres, commercial and*



*community facilities.” Clause 22.09-3 states it is policy that “Affordable housing be encouraged where significant renewal sites exist, particularly in the Council owned Station Street site.”*

- 6.4. Amendment C148yrn to the Yarra Ranges Planning Scheme was adopted by Council in March 2019 and is currently before the Minister for consideration. The amendment proposes to introduce a new Municipal Strategic Statement and provide clearer strategic direction and decision making guidance on a wide range of land use and development issues, including Affordable Housing. It includes strategies to:
- Encourage the provision of Affordable Housing components in new developments in identified consolidation areas and other locations that provide convenient access to town centres, commercial and community facilities.
  - Encourage dwellings that are accessible to people of all abilities and adaptable to the changing needs of people as they age.
  - Encourage specialised forms of housing that meet the needs of people with disabilities.
- 6.5. Clause 21.08 of Amendment C148 applies to Activity Centres including Lilydale and references the strategic importance of the Cave Hill Quarry site for urban renewal. It reinforces objectives and strategies currently in the Local Planning Policy for Lilydale (Clause 22.07) around housing diversity and affordability.
- 6.6. The Victorian Planning Scheme does not mandate Affordable or Social Housing requirements. Reflecting the objective of the Act to “facilitate” the provision of Affordable Housing, the State Government supports local governments to reaching an agreement with landowners as part of the planning amendment and approval process. There is no set percentage or delivery model directed the State Government and each agreement is site-specific.
- 6.7. It is my opinion that the following questions should be considered at the amendment stage to ensure that an appropriate Affordable Housing outcome will be achieved and that there is certainty as to the structure of the contribution and delivery over time:
- What is the evidence of Affordable Housing need and what is an appropriate response in terms of quantum and type of housing, tenure and price?;
  - How will the Affordable Housing be delivered (funded and constructed) and by whom?;
  - How the built-form be appropriate in terms of addressing housing need, location, tenure, housing type and integration?;
  - How will the built-form be affordable and allocated (rented or sold) to eligible households and how will this be determined at the point the dwelling is constructed?;
  - How long will the dwellings be available as Affordable Housing?;
  - What mechanisms will ensure appropriate management of outcomes over time?; and
  - What timeframe will the Affordable Housing be delivered?
- 6.8. It is my opinion that a sufficient level of detail should be considered and reflected in the planning controls at the amendment stage. This view is supported by Planning Panels and Standing Advisory Committees in the following reviews:
- The Planning Panel advising on Amendment C088 to the Hobsons Bay Planning Scheme (Altona North Precinct) noted in relation to proposed Affordable Housing inclusions that:  
  
*“The Panel believes there is benefit in retaining further guidance, which may limit future disagreement. The key elements of the text should be a clear statement that affordable housing is to be delivered by agreement, at a defined rate, with at least one method of delivery, but with the possibility of others.” (Page 68)*



*“...this is now a mandatory requirement in the CDZ2 and Guideline G16 is amended to require well located affordable housing.” (page 69).<sup>x</sup>*

- The Fishermans Bend Standing Advisory Committee noted in its Tranche 1B Report (Port Phillip Planning Scheme Amendment C163port):

*“It is clear to the Committee that the question of whether Affordable housing should be provided and what would be an appropriate agreed outcome should be decided at the approval stage. This should be clear and as definitive as possible, outlining the proposal including the terms of transfer such as the number and type of dwellings and location within the building. If it is cash-in-lieu, the mechanisms for determining the value should be included or how it is to be calculated.”*

6.9. Examples of negotiated agreements were summarised in the Background Report (2019). Urbis referenced these examples in the Proposition as setting a precedent *“of 5-6% Affordable Housing contributions.”* In response, and as part of the analysis for this Statement, I note:

- The Background Report highlights *“It is important to note these examples are site and council specific with a number negotiated prior to the recent State Government framework being implemented. They are useful as a guide to the type of outcomes that Council could pursue through its Development Negotiation Framework but do not reflect the actual outcomes that might be achieved on any specific site in the Yarra Ranges.”*
- The planning requirement for the Alphington Mill was determined significantly prior to the current legal and policy framework and since implementation the Housing Agency has secured funding to purchase the 150 units at a discount thereby providing a longer term outcome;
- There are other arrangements determined since 2019 that highlight larger percentages and clear delivery arrangements which have been supported by a Planning Panel or an Advisory Committee. An updated table of examples is provided at **Attachment 4** and highlights up to 20 per cent Affordable Housing requirements are being set, including:
  - Up to 20 per cent Affordable Housing must be delivered as a condition of the development of the Fitzroy Gasworks site;
  - 5 per cent Social Housing and 10 per cent Affordable Housing must be delivered as a condition of development of the former Epping Quarry.
  - Landowner agreement to gift land to accommodate 5% of dwellings (totalling 150 dwellings) to a housing agency as part of the East Village rezoning and a planning requirement that 1 in every 10 dwellings over 3,000 dwellings must also be provided as Affordable Housing;
  - 10 per cent of dwellings must be delivered as Affordable Housing as a condition of development of 81-95 Burnley Street and 26 Doonside Street, Richmond.
  - 10 per cent Affordable Housing to be delivered through either gifting of land, discounted sale of dwellings or long-term lease as a requirement of the rezoning of the Clayton PMP Printing Strategic Site.





# Lilydale Quarry Proposed Affordable Housing Inclusion

## 7. Overview of planning references and proposed strategies

7.1. The Draft Comprehensive Development Plan ('Draft CDP') (2020) makes one reference to Affordable Housing - "To promote lot and residential typologies that allow for a diversity of households, including affordable housing, throughout the site." (Objective 2, p.14). There are no requirements or guidelines set out in the Draft CDP to support realisation of the objective.

7.2. Draft Schedule 1 to Clause 37.02 Comprehensive Development Zone states:

*"Prior to the granting of a subdivision permit for the seven hundred and first (701) dwelling, the owner of the land must enter into an agreement under section 173 of the Planning and Environment Act 1987 that requires the owner of the land to provide for either:*

- *Delivery of affordable dwellings, or land lots for construction of affordable dwellings, equal to 5% of the total dwellings proposed to be delivered across Precinct 1, Precinct 2, Precinct 3 and Precinct 4, rounded to the nearest whole number, or any lesser number of dwellings as agreed between the owner and the responsible authority; or*
- *The provision of affordable housing by any agreed alternative method generally consistent with the value of the above provision.*

*Where an alternative method is agreed, and the landowner has met all of its obligations under that method, any obligation of the landowner to provide for affordable housing has been fully discharged."*

7.3. Two Affordable Housing strategies have been prepared for the site:

Proposal	Affordable Development Outcomes Proposal (2019)	Urbis Proposition for the Applicant (2020)
Rental Housing component	5%	2%*
Other Affordable Housing	3%	3%
<b>Total Stage 2 Proposed Affordable Housing</b>	<b>8%</b>	<b>5%</b>

Table 3: Summary of Affordable Housing Proposals \*Assumes crisis / social housing and affordable rental as set out in the Proposition and based on a total yield of 3,216 dwellings)

### Affordable Development Outcomes Proposed Strategy (developed for Council, 2019)

7.4. A draft strategy for the site was developed by Affordable Development Outcomes following the development of the *Background Report* and draft Framework which established:

- The legislative and policy basis and State Government support for Council to seek to facilitate the inclusion of Affordable Housing through the planning process;
- Significant evidence of unmet demand for Affordable Housing, particularly for Social Housing that is suitable for very low and low income households;
- A strong local policy base for action, with several Council documents identifying the importance of Affordable Housing to the social and economic success of the municipality;



- A framework / set of guiding criteria to guide the structure of planning agreements for Affordable Housing in Yarra Ranges to ensure the resulting housing is appropriate for households in need; and
- The following Affordable Housing percentages proposed to apply to sites where a planning scheme amendment or permit approval is sought:

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 4: Proposed Affordable Housing Percentages for Yarra Ranges Shire (Affordable Development Outcomes 2019)

7.5. The percentages were developed after taking into consideration:

- The evidence of Affordable Housing need which forecast that an estimated 22 per cent of all forecast new dwelling supply was required to be delivered as Affordable Housing if unmet (2016) demand was to be met;
- The opportunity for new development to contribute to meeting demand in line with the objectives of the Act;
- State Government’s guidance in relation to Affordable Housing planning negotiations; and
- Expected commerciality of different development proposals, with larger developments and rezoning generally expected to have greater value creation and subsequently value share potential as a result of a planning scheme amendment.

7.6. The draft strategy applied the framework and recommended 8 per cent Affordable Housing be delivered on the site (stage 2) as a result of the rezoning, to comprise:

- A minimum 5 per cent Social Housing or other forms of Affordable Rental Housing to be owned and managed by a Registered Housing Agency; and
- A maximum 3 per cent other Affordable Housing component, which could be delivered as additional Social Housing, Affordable Rental Housing or Affordable Home Purchase (such as Shared Equity home ownership) subject to the housing being in accordance with the Affordable Housing definition in the Act and reflective of the Matters published by notice under Section 3AA(2).

7.7. The draft Strategy noted that the landowner contribution to support the realisation of the Affordable Housing could occur by applying one or more of the following approaches:

- Gifting of completed dwellings to a Registered Housing Agency;
- Sale of completed dwellings to a Registered Housing Agency;
- Gifting of land to a Registered Housing Agency; and/or
- Sale of dwellings to nominated Eligible Purchasers under a Shared Equity or other appropriate Affordable Home Purchase arrangement.

7.8. Table 5 summarises the draft Strategy for the site against the legislated matters required to be considered. This was drafted with the intention that the Council and landowner would subsequently use it to refine a proposal and subsequently incorporate details within the planning controls and in turn, a Section 173 Agreement.



<b>Affordable Housing Outcome (Number)</b>	<p>The total end yield is unknown at the planning amendment stage. Assuming a total yield of 3,000 dwellings, the application of an 8 per cent Affordable Housing Percentage is proposed, which would result in a total 240 Affordable Housing Dwellings across the project. The actual number of dwellings and in turn, Affordable Housing dwellings, may vary. Agreeing to an Affordable Housing percentage sets a calculation to then be applied over time.</p>
<b>Affordable Housing Program Outcome (tenure and ownership)</b>	<p>The dwellings to be delivered must result in Affordable Housing as defined by the <i>Planning and Environment Act 1987</i>. This could include Social Housing, Affordable Rental Housing and/or Affordable Home Purchase (including Shared Equity Home Ownership).</p> <p>Council’s priority is for lots or dwelling to be delivered in the form of a Social Housing or other Affordable Rental Housing outcome owned and managed by a Registered Housing Agency. A total of five per cent of dwellings are recommended to achieve an Affordable Rental Housing outcome, to reflect evidence of need for rental housing for very low and low income households.</p> <p>For the remaining three per cent, Council and the Planning Applicant may agree to other forms of Affordable Housing being achieved on the site, such as Affordable Home Purchase or Shared Equity Home Ownership.</p> <p>Such an approach responds to the findings of the Yarra Ranges Affordable Housing Background Report, which in 2016 identified an estimated shortfall of 1,839 social housing dwellings (i.e. affordable rental) increasing to 2,237 dwellings in 2036.</p>
<b>Dwelling Typology</b>	<p>The priority built form for Affordable Housing on the Site is one and two-bedroom dwellings. Other dwelling types such as three-bedroom dwellings are proposed to be acceptable for a proportion of the Affordable Housing.</p> <p>The final Affordable Housing dwelling mix for the site is to be determined by the Planning Applicant in consultation with a Registered Housing Agency.</p> <p>As more than 10 dwellings will be delivered as a result of the rezoning, 10 per cent of the total Affordable Housing provision (i.e. 24 dwellings) should be accessible for people with a disability or limited mobility (Platinum Liveable Housing Standard).</p>
<b>Integration</b>	<p>Affordable Housing is expected to 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 dwellings/lots or where the delivery model provides land to a Registered Housing Agency to develop Affordable Housing.</p>
<b>Affordability</b>	<p>The 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>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>Affordable Housing must be rented or sold at a price that is affordable for households that earn within the State Government published Affordable Housing or Social Housing income bands. 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>
<b>Allocation</b>	<p>Affordable Housing must be allocated to households that meet the Affordable Housing or Social Housing income eligibility requirements 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"> <li>• 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;</li> <li>• 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 Affordable Housing income bands. Involvement of a Registered Housing Agency or other not-for-profit agency such as a shared equity operator meets the criterion.</li> </ul> <p>In allocating dwellings to Eligible Household, the Housing Agency is expected to give regard to the priority household needs, Victorian Housing Register requirements, and local connections.</p>



<b>Longevity</b>	<p>The value provided by the Planning Applicant to an Affordable Housing purpose captured in an agreement between Council and a landowner is expected to be utilised for Affordable Housing purposes in the long-term, noting:</p> <ul style="list-style-type: none"> <li>• Ownership by a Registered Housing Agency meets this criterion;</li> <li>• Where dwellings are proposed to be sold under an Affordable Purchase or Shared Equity arrangement where the household purchasing is receiving a benefit (i.e. discount or reduced cost), the Planning Applicant will be required to demonstrate that any difference between the household’s financial contribution and market value of the dwelling will be appropriately secured.</li> <li>• The Planning Applicant will also be required to demonstrate there is a clear and accountable strategy to guarantee the capture and future reinvestment of this value in to future Affordable Housing outcomes in the municipality on any future sale. A shared equity operator is expected to be able to assist the Applicant to meet this criterion.</li> </ul>
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Table 5: Yarra Ranges Affordable Housing Development Negotiation Framework – modified for Lilydale Quarry, (Source: *Draft Lilydale Quarry Affordable Housing Strategy*, Affordable Development Outcomes 2019)

7.9. The draft strategy set out the following recommendations in relation to the delivery arrangements, timing and intended mechanisms for securing of an agreement for the site:

<b>Affordable Housing Delivery Arrangement</b>	<p>Where applying the Framework results in one or more lots or dwellings being provided for an Affordable Housing purpose, Council’s preferred arrangement is to provide the dwelling at no cost to a Registered Housing Agency.</p> <p>Council and the Planning Applicant may also agree to other delivery arrangements, including the sale of dwellings to individuals under an Affordable Home Purchase or Shared Equity arrangement, the discounted sale of dwellings to a Registered Housing Agency or the gifting of serviced lots capable of residential development.</p>
<b>Delivery Timeframes</b>	<p>Affordable Housing should be delivered in parallel to the market housing component on the site.</p> <p>On large sites a staged approach to delivering Affordable Housing may be agreed with Council. Advice of a Registered Housing Agency may be required to support a staged approach.</p> <p>A landowner seeking a staged approach will be required to provide Council with a site-specific strategy setting out the way in which they intend to deliver the agreed outcome over the project stages, and to report on this strategy during each stage of the development.</p>
<b>Securing an Agreement</b>	<p>An agreement and delivery arrangement should be reflected in the new Zone and Schedule to the Zone, a Section 173 Agreement between the landowner and Council and planning permits. The Section 173 Agreement will document the process and timeframes for the landowner to achieve the agreed Affordable Housing outcome as a condition of practical completion.</p>

Table 6: Additional matters to be considered and proposed application to Lilydale Quarry (Source: Affordable Development Outcomes 2019)

### **Applicant’s Proposed Strategy (‘Proposition’)**

7.10. The applicant submitted ‘Affordable Housing Proposition’ (Urbis 2020) provides for 5 per cent of residential housing to be delivered as Affordable Housing, to a total of 163 dwellings assuming a yield of 3,216 dwellings in Stage 2.<sup>xi</sup> A summary of the proposed sub-categories of Affordable Housing, built form and delivery model references is provided at Table 7.

7.11. As the Proposition is submitted as a reference to the Planning Report, it is expected that unless clarified in the Schedule to the Zone, the Proposition and resulting sub-categories of housing responses and delivery approach would be deemed to be the delivery strategy for the purpose of preparing a Section 173 Agreement and subsequently facilitating Affordable Housing on the site.



Proposition (Urbis 2020)	Number of Dwellings*	% of proposed 5% Affordable Housing	Percentage of Estimated Stage 2 Yield*	Proposed Household Targeting	Tenure	Dwelling Type / Bedroom	References to Household Targeting, Affordability and Delivery within the Proposition
Crisis, Social Rental	28	17.1%	<b>0.87%</b>	Very Low and Low Income	Rental	One bedroom	<i>"Delivering on this commitment could comprise setting aside land to allow a third-party specialist entity to deliver this outcome on the project."</i> (Urbis, p.11).
Affordable Rental	40	24.5%	<b>1.23%</b>	Low and Moderate Income	Rental	One and two bedrooms	<i>"Delivering this commitment could comprise selling to a Registered Housing Provider at a discount or if a sale cannot be realised paying the equivalent value (of the discount) as a contribution to a housing agency or council."</i> (Urbis, p. 11).  The 25% discount agreed in Hobsons Bay Altona North precinct is noted as an example. The Proposition also notes <i>"Alternatively, the units could be leased of the purposes of affordable rent for the long term (expect this would be 20 years)."</i> (Urbis, p.11)
Shared Equity, Affordable Purchase	65	39.8%	<b>2%</b>	Moderate Income	Home ownership	Not stated	<i>"...targeted price points that can satisfy affordable home ownership in this location. Shared equity options would broaden this access to home ownership further"</i> (Urbis, p.12)  <i>"...this need can be targeted with appropriate stock provision... for purchase or shared equity within the income and affordability definitions of the Planning Act and Order of the Council"</i> (Urbis, p.13)  <i>"Qualifying residents can be validated by proof of income statements alongside written confirmation of household type... purchasing a property at a discount to market price"</i> (Urbis, p.13).  The Proposition also notes <i>"An analysis of affordable purchase opportunities reveals the existing local median price is already affordable to couples and families, while family housing for families is also affordable for moderate income family households"</i> (Urbis p.12) and <i>"income to price (based on mortgage serviceability) analysis demonstrates that the current median unit price particularly is already able to meet the affordability threshold of some qualifying household groups"</i> (Urbis, p. 13)
Key Worker	30	18.4%	<b>0.93%</b>	Moderate - High Income	Home Ownership	Not stated	<i>"...providing first right of opportunity to key workers...at affordable price points for purchase (either sole or shared equity)..."</i> (Urbis, p.13)  <i>"Delivery of this option is likely to require the JV partnership to demonstrate that targeted price points meet the affordability test as the income bands and market prices evolve over time as well as satisfying the key worker qualification. Qualifying residents can be validated by proof of employment and income statements and can be compared to updated affordable price analysis for each release."</i> (Urbis p.12).
<b>Total</b>	163	99.8%	<b>5.06%</b>				

Table 7: Applicant proposed Affordable Housing strategy by product (based on Urbis reference to stage 2 yield of 3,216 dwellings). Summary prepared by Affordable Development Outcomes



# Assessment of Proposal

## 8. Assessment Summary

8.1. My assessment for this Statement focused on:

- whether Affordable Housing need in Yarra Ranges has been established and what the evidence indicates in terms of unmet demand levels, priority households and their housing requirements (particularly tenure, cost and bedroom number) to address the identified need;
- whether the applicant's Proposition appropriately responds to the evidence of need and whether there is sufficient detail in the Proposition and the draft planning controls to provide assurance that the resulting housing will be delivered and will be appropriate, affordable and allocated to households in need of Affordable Housing for a sufficient period;
- how the applicant's Proposition compares to the strategy I prepared for the site in 2019, and if I still consider this draft strategy to be an appropriate response to the Act and matters; and
- whether the level of detail proposed in the draft CDP and in the draft Schedule to the Zone in relation to Affordable Housing provides sufficient clarity and information to guide the development of a Section 173 Agreement and hold a landowner to account for delivery.

8.2. Table 8 summarises my assessment of the Proposition against the Affordable Housing framework set out in the Background Report and Table 2 of this Statement. Further analysis on the alignment of the Proposition to addressing housing need is also provided at point 9.

A green rating indicates the Proposition is assessed as meeting the matter, orange means it partly meets based on provided information and my assumptions, and red indicates it is assessed as not meeting the criteria or lacks sufficient detail to assess.

8.3. The assessment highlights that the applicant's proposition fails to meet a number of criteria or only partly meets criteria.

8.4. Of the 5 per cent proposed, the Crisis / Social Housing response best aligns to the evidence of need and matters as the ownership and management by a registered housing agency will ensure long-term, appropriate housing is realised and subsequently affordable and allocated to very low and low income households requiring support. The very small amount of housing proposed for this purpose (0.87 per cent of stage 2 or an estimated 0.81 per cent of total quarry development) is assessed as being an inadequate response to the evidence of need. The gifting of land or discounted sale are assessed as appropriate models to realise this outcome however there is limited information as to how the outcome will be delivered, for example, a discount is not proposed.

8.5. The 1.23 per cent 'Affordable Rental' component partly responds to need. If these dwellings were sold to a registered housing agency at a sufficient discount to support development then it is expected the matters would be addressed and dwellings retained as Affordable Housing for a considerable period. The Proposition lacks sufficient detail as to what discount rate would be provided to ensure affordability is achieved. There is also insufficient information in the Proposition as to how a referenced lease model would be structured to ensure matters are met, dwellings subsequently appropriately allocated and affordable, and investment secured for an acceptable period. I note examples in Fishermans Bend are requiring a thirty year term which in my opinion, is the minimum requirement housing in a rental arrangement should be required to be realised as Affordable Housing.

8.6. The majority (3 per cent) of the 5 per cent is proposed to result in home ownership outcomes suitable for moderate income households and 'key workers'. In assessing these models I note:



- Urbis' work highlights that moderate income earners are most likely to already be able to find a rental or purchase option in Yarra Ranges that is affordable, and therefore no or minimal discounting is expected to be required;
- 'Key workers' are not defined in the Act or evidenced to fall within the income bands under the Act or to be in housing stress with the Urbis needs assessments stating "*most of the individuals that worked in the industries included in the key worker group were above the ranges identified in the P&E Act.*"<sup>xii</sup>
- there is evidence that some moderate income earners are in housing stress however the level of housing stress is less acute than stress experienced by very low to low income households as these households have lower resources available to meet housing costs and may face other disadvantage;
- there is no clear strategy set out in the Proposition as to how dwellings that are sold at a discount or provided into a shared equity model would be determined to be affordable and how any investment provided by the developer, such as a discount, would be protected so that it is not only the first purchaser that benefits; and
- the Proposition, draft CDP and draft Schedule to the Zone lacks sufficient detail as to how each sub-category of Affordable Housing will be delivered and realise affordability and allocation for households in need of support.



AFFORDABLE HOUSING SUB-CATEGORY AND RATING					SUMMARY OF ASSESSMENT OF PROPOSITION AGAINST SPECIFIED MATTERS
	Crisis / Social	Affordable Rental	Affordable Purchase	Key Worker	
<b>Affordable Housing Outcome (Number)</b>	0.87%	1.23%	2%	0.93%	<p><b>Does not sufficiently meet the criteria.</b></p> <p>Proposal for 5% of dwellings or 163 dwellings within a large strategic site undergoing rezoning is not assessed as a sufficient response to the evidence that between 1,819 and up to 8,051 dwellings are needed to be provided as Affordable Housing. Affordable Development Outcomes estimated that to respond to minimum need at least 22% of forecast new housing supply delivered between 2019 and 2036 would need to be affordable.</p> <p>Very little of the proposed 5% targets households in the highest need with the majority (3%) of the Proposition targeting moderate income earners which are not evidenced by the applicant to face significant housing stress. A total 3% home ownership may be appropriate if there was a larger proportion of Social Housing also delivered.</p> <p>There is no evidence that ‘key workers’ are in housing stress, conversely the Proposition notes that “...a high proportion would have moderate incomes or above” (Proposition p.8) and that “most of the individuals that worked in the industries included in the key worker group were above the ranges identified in the P&amp;E Act. (this)...suggests that a large proportion of key workers may be able to afford to rent or purchase to or at market rates” (Lilydale Quarry Affordable Housing Needs Assessment (Urbis), p. 3). 2% home ownership is subsequently assessed as partly responding to need and 0.93% ‘key worker’ housing is assessed as not responding to need.</p> <p>Further assessment of the Proposition response to the evidence of need is set out at point 9 of this Statement.</p>
<b>Affordable Housing Program Outcome (tenure and ownership)</b>	Social Housing	Affordable rental, potentially Social Housing	Ownership	Ownership	<p><b>Partly meets the criteria.</b></p> <p>Rental component is appropriate for target households in need with Social Housing the most appropriate response particularly for very low income households. As the Proposition focuses predominantly on home ownership responses for moderate income households despite evidence of Urbis that many of these households, particularly ‘key workers’ are expected to already be able purchase in the area, the Proposition is assessed as only partly meeting the criteria. These ratings should be read together with the assessment of response to housing need.</p>
<b>Affordable Housing Delivery Arrangement</b>	Land provision or dwellings sold at discount to housing agency	Sale at discount to Housing Agency or lease model	Sale to households that meet income bands at market price or discount. Reference to shared equity model.	Sale to key worker households that meet income bands at market price or discount. Reference to shared equity model	<p><b>Partly meets but lacks significant detail for majority of the Proposition.</b></p> <p>The Proposition provides limited detail as to how Affordable Housing will be realised for the majority of the proposed contribution. Non-comital references are made in the Proposition to the potential provision of land or discounted sale of dwellings for Social Housing and Affordable Rental. A ‘long term lease’ is also referenced but there is no detail on who would own or manage the dwellings. There is no detail on how any affordable home ownership program would be delivered other or any discount protected other than reference to establishing income eligibility and checking. References to ‘shared equity’ model are not supported with any detail as to how the model would be structured and regulated to ensure appropriate allocation, affordability, and long-term protection of investment.</p>
<b>Dwelling Typology</b>	1 bedroom	1 – 2 bedroom	Not stated	Not stated	<p><b>Partly meet the criteria.</b></p> <p>The evidence highlights the priority for Affordable Housing is one and two bedroom dwellings. The Proposition does not set out the dwelling mix to be realised for the majority of dwellings proposed to be delivered. It is understood that the</p>





AFFORDABLE HOUSING SUB-CATEGORY AND RATING					SUMMARY OF ASSESSMENT OF PROPOSITION AGAINST SPECIFIED MATTERS
					development will deliver smaller and one and two bedroom dwellings therefore the assessment is that the Proposition partly meets the criteria in relation to dwelling typology for the 2% rental component and partly and would likely be met for the ownership component, with further detail expected to be set out in a Section 173. There is no reference to dwelling accessibility in the Proposition. As Social Housing delivery is expected to be co-funded by government it is expected the small Social Housing component will achieve Silver Livable Housing Standards.
<b>Integration</b>	Not specifically stated	Not specifically stated	Not specifically stated	Not specifically stated	<p><b>Partly meet the criteria.</b></p> <p>The Proposition states that integration will be determined in consultation with a housing association. Only the rental models reference potential delivery with a housing agency and therefore the Proposition lacks sufficient detail to assess against this criteria. The criteria could be met with further guidance/criteria in a Section 173 Agreement.</p>
<b>Affordability</b>	Subject to delivery model and level of discount, proposal expected to result in affordability by nature of ownership and management by a housing agency	Subject to delivery model, level of discount and who owns and manages the properties.	Discount is not established	Proposition is that dwellings will be market priced 'affordable'.  Specific discount is not established.	<p><b>Partly meets the criteria for Social Housing. Does not provide sufficient detail to confirm how affordability will be achieved for home purchase or affordable rental.</b></p> <p>Proposition proposes affordability is largely met by selling market priced dwellings to moderate income households and potentially high income 'key workers'. References to discounts and shared equity are made but there is no detail as to how affordability will be determined (and any discount/contribution) protected over time. Ownership by a registered housing agency for the small Social Housing component and potentially the Affordable Rental model are assessed as most likely to address this criteria due to the purpose and regulation of the housing agency.</p>
<b>Allocation</b>	Achieved by ownership and management by a registered housing agency	Will be met if owned by a registered housing agency. Unclear if lease model.	Indicates income testing process would be required	Indicates income and employment testing process would be required	<p><b>Partly meets the criteria.</b></p> <p>The Proposition meets the criteria for any dwellings that are proposed to be sold to a housing agency as agencies purpose is to rent dwellings to lower income households in need of support. The Proposition lacks sufficient detail to assess how allocation process would work in practice for home purchase and how this would be regulated, for instance to ensure households accurately reflect income when applying to purchase.</p>
<b>Longevity</b>	Achieved by ownership and management by a registered housing agency	Will meet if owned by a registered housing agency.  Reference to 20 years for lease model.	Does not lock in housing as Affordable Housing beyond first sale.	Does not lock in housing as Affordable Housing beyond first sale.	<p><b>Meets the criteria for Social Housing. Does not meet the criteria for home purchase.</b></p> <p>The small percentage of dwellings sold to a registered housing agency will provide longevity of outcome for tenants as agencies are regulated for this purpose.</p> <p>The Proposition references home purchase discounts and shared equity but there is no detail on how investment would be secured and reinvested upon future sales. A large component of the Proposition appears to be for market priced sale where there is no longevity of an Affordable Housing outcome other than through dwellings potentially holding some relative affordability in the market.</p>

Table 8: Affordable Development Outcomes Assessment of Kinley Affordable Housing Proposition against Specified Matters



## 9. Proposed Response to the Evidence of Affordable Housing Need

9.1. There has been extensive research into the housing needs of very low, low and moderate income household groups living in Yarra Ranges undertaken by Affordable Development Outcomes for Council and by Urbis for the applicant. Whilst there is some variation in methodology, each study has established there is significant evidence of need:

The *Background Report* estimated:

- approximately 2,460 very low and low income households living in Yarra Ranges in 2016 that had an unmet need and required dedicated Affordable Housing (2016 demand). If this demand was met, it is estimated 4.15 per cent of all dwellings in Yarra Ranges would be Affordable Housing, predominantly Social Housing for lower income households to access;
- after taking into consideration existing supply (621 Social Housing dwellings as at 2019) there was an estimated gap or shortfall of 1,839 Affordable Housing dwellings required for very low and low income households in Yarra Ranges. This is estimated to grow to a requirement for 2,237 dwellings by 2036 if no action is taken;
- to deliver the estimated 2,237 dwellings gap by 2036 requires that between 2019 and 2036, an average of 22 per cent of all dwellings forecast to be delivered in Yarra Ranges need to be provided as Affordable (Social) Housing (approximately 132 dwellings per annum);
- an estimated 2,432 very low and low income households (earning in the bottom 40 per cent of incomes) living in Yarra Ranges in 2016 were in rental stress - paying more than 30 per cent of gross household income on rent;
- only 87 privately owned dwellings that were made available to rent in the LGA in 2018 were affordable for a household on a statutory (government) income, representing 4.3 per cent of all newly leased private rental properties available during the period; and
- the primary household groups likely to experience rental stress are very low and low income singles, couples and families for whom Social Housing or discounted affordable rental are required and an appropriate and affordable tenure response. Moderate income households are estimated to be able to afford median priced rentals with affordability gaps for home purchase across all household types.

The *Lilydale Quarry Affordable Housing Needs Assessment* developed by Urbis estimated:

- only 1.14 per cent of all households in Yarra Ranges were living in Social Housing compared to a Greater Melbourne average of 2.6 per cent. In 2020 the Victorian Housing Register (Social Housing waitlist) for the outer eastern area of Melbourne included 763 households listed under priority access and a further 1,097 on the Register of Interest;
- 8,805 lots of Affordable Housing were required in the Yarra Ranges LGA. Within a decade, this need is estimated to increase to 8,970 lots;
- *“Individuals living under rental stress represent the group with the highest degree of disadvantage, given that in all three benchmark areas, nearly 50% of renting households were living under rental stress.”* (Urbis 2020);
- *“Analysis of both rental and mortgage affordability shows that rental affordability is a greater problem by proportion of renting residents in rental stress.”* (Urbis 2020); and
- very low income households can only afford between 26 per cent and 38 per cent of market rent with Table 9 showing the percentage of market rent that Urbis assessed each income bracket could afford in Yarra Ranges LGA. Results in red highlight where households may struggle to pay 70% or more of market rent. Darker shades of green highlight where less discounting is required to remain affordable. i.e. a moderate income family in the Yarra Ranges LGA could afford between 152 and 210 per cent of average market rent.



		Single Person	Couple (One Bedroom)	Couple (Two Bedrooms)	Family (Two Bedrooms)	Family (Three Bedrooms)
Yarra Ranges	Very Low	26%	39%	31%	44%	38%
		52%	77%	62%	87%	76%
	Low	67%	101%	81%	114%	99%
		83%	124%	100%	140%	121%
	Moderate	103%	145%	117%	175%	152%
		124%	186%	150%	210%	182%

Table 9: Urbis rental affordability assessment (2020)

- Purchase is predominantly out of reach for very low, low and moderate income singles, very low income couples and families in Yarra Ranges LGA. Low and moderate income couples and families and some singles have capacity to meet market prices:

		Single Person	Couple	Family
Lilydale (Units)	Very Low	17%	25%	35%
		34%	51%	71%
	Low	44%	66%	92%
		54%	81%	113%
	Moderate	67%	95%	142%
		81%	121%	170%
Lilydale (Houses)	Very Low	12%	18%	26%
		24%	36%	51%
	Low	32%	47%	66%
		39%	58%	82%
	Moderate	49%	68%	102%
		58%	87%	122%

Source: DHHS, Planning & Environment Act 1987, Urbis

Table 10: Urbis mortgage affordability assessment (2020)

- ‘Key workers’ in the education and hospitality industry living in Yarra Ranges are estimated by to earn “above the ranges identified in the P&E Act” which “suggests that large proportion of key workers would be able to afford to rent or purchase close to or at market rates.”<sup>xiii</sup>

## 9.2. It is my opinion:

- 9.2.1. The need for Affordable Housing in Yarra Ranges is clearly established. There is variation in the assessment as to how much Affordable Housing the development should provide and which household groups the development should support.
- 9.2.2. The 5 per cent Proposition by the Applicant is an insufficient response to the evidence and the scale of development resulting from the rezoning.
- 9.2.3. An 8 per cent contribution is the recommended minimum percentage for a strategic site of this size with a minimum of 5 per cent of this response required to be directed to very low to low income households and delivered via a registered Housing Agency that will subsequently own and manage the dwellings to ensure that housing need, allocation and affordability requirements are met.
- 9.2.4. The Proposition does not reflect the evidence that housing stress is experienced most acutely by very low and low income households, with only 0.87 per cent of the total yield proposed to be targeted to this income group. There is not sufficient evidence to justify 3 per cent of the total 5 per cent Affordable Housing being targeted to moderate income and ‘key workers’ or if the later meet the income eligibility.



- 9.2.5. The premise put forward by Urbis that emphasise should be placed on supporting moderate income households as there is a greater number of households that earn within the moderate income range living in Yarra Ranges is not supported. The Act requires consideration of which households are in need, not which households comprise the largest group in an area. This is particularly relevant given the Affordable Housing response will not fully cater to all households in need and should therefore be carefully targeted.
- 9.2.6. The market is already affordable for the majority moderate income households as evidenced by Urbis’ analysis at page 12 of the Proposition. In my opinion there is not a strong need for dedicated Affordable Housing for these household groups other than for single and couple low income persons who are in rental stress and may be able to service a mortgage but cannot find appropriately sized and priced housing in Yarra Ranges without assistance
- 9.2.7. The proposal should focus primarily on very low to low income households that are experiencing the most acute levels of housing stress as reflected in the draft Framework. Allowance for a small component of the response to support affordable home ownership is appropriate if this housing is sufficiently targeted to households in need and is delivered through a regulated home ownership model that ensures subsidy to support affordability is protected.

## 10. Review of Affordable Development Outcomes Draft Strategy against Matters

- 10.1. In preparing this Statement I reviewed the draft Strategy I prepared in 2019 against the legislated matters. My summary assessment is set out in Table 11.

	ASSESSMENT RATING	SUMMARY OF ASSESSMENT OF PROPOSITION AGAINST SPECIFIED MATTERS
Affordable Housing Outcome (Number)	Meets the criteria	<b>Meets the criteria.</b> Proposal for 8% of dwellings within a large strategic site undergoing rezoning is an appropriate response to the established need for up to 22 per cent of dwellings to be provided as Affordable Housing. Majority (5%) of response to address highest need evidenced by housing stress experienced by very low to low income.
Affordable Housing Program Outcome (tenure and ownership)	Meets the criteria	<b>Meets the criteria.</b> Proposal appropriately focuses on affordable rental, particularly social housing (5%) which is considered the most appropriate form of housing for very low – low income households. Option for a further 3% to achieve rental or homeownership supports low to moderate income households in need and for whom discounted affordable rental or subsidised home ownership may be appropriate.
Affordable Housing Delivery Arrangement	Partly meets the criteria	<b>Partly meets the criteria.</b> The draft Strategy was prepared with the expectation that it would guide agreement to a specific delivery arrangement or models as part of the amendment drafting. The draft Strategy in its current form therefore only partly meets the criteria as the specific way in which the 8% would be delivered is not set. The draft Strategy highlights that whilst it is the preference of Council, the gifting of 8% of dwellings may not be feasible and sets out ways in which the Affordable Housing could be delivered including by gifting of land or dwellings or discount sale. It provides guidance to the discounts that may be required. A shared equity model is referenced as a model that could support the delivery of housing to households in need and ensure subsidy is appropriately secured.
Dwelling Typology	Meets the criteria	<b>Meets the criteria.</b> The draft Strategy reflects that the priority built form for Affordable Housing is one and two-bedroom dwellings to accommodate singles and couples. The specific breakdown of the Affordable Housing is not provided and was expected to be determined by agreement. It is reasonably assumed the landowner would support an emphasis on one and two bedrooms.



		<p>The Strategy proposes 10% of housing is accessible. It is since noted that State Government is requiring Silver Livable Housing Standard for any dwellings it co-funds therefore this outcome is expected to be realised on the 5% Social Housing component and therefore satisfactorily meet the criteria.</p>
<b>Integration</b>		<p><b>Meets the criteria.</b></p> <p>The Proposal sets expectations in relation to integration of Affordable Housing with guidance that no more than 10 Affordable Housing dwellings should be co-located unless supported by a housing agency.</p>
<b>Affordability</b>		<p><b>Partly meets the criteria.</b></p> <p>Affordability will be realised for a minimum 5% of dwellings being owned and managed by a Housing Agency, noting that ensuring affordability is a key requirement of their charitable status and regulation.</p> <p>Affordability of other 3% is expected to be realised through a sale or rental model with Affordable Home Ownership and Shared Equity arrangements noted to be possible to achieve by an appropriately regulated not-for-profit housing agency establishing the criteria. The specific delivery models and discounts was expected to be confirmed through agreement. The draft Strategy therefore only partly addressing this criteria.</p>
<b>Allocation</b>		<p><b>Partly meets the criteria.</b></p> <p>The 5% component will clearly meet the requirement for dwellings to be allocated to households in need through the ownership and management by a housing agency. Sufficient guidance is proposed to be established within the schedule to the zone to ensure there are appropriate and regulated structures to oversee allocation of the other 3% of dwellings particularly if they are sold into a home ownership arrangement. However as this was subject to further detail the draft Strategy in its current form only partly reflects the requirement.</p>
<b>Longevity</b>		<p><b>Meets the criteria for rental and partly meetings for home ownership.</b></p> <p>5% of dwellings delivered as Social Housing would meet this matter as dwellings will be owned by a Registered Housing Agency with a purpose to provide Affordable/Social Housing.</p> <p>For the remaining 3% of dwellings the draft Strategy notes that if dwellings are sold under an Affordable Purchase or Shared Equity arrangement where the household purchasing is receiving a benefit (discount or reduced cost), the applicant must demonstrate that any difference between the household's financial contribution and market value of the dwelling will be appropriately secure to support future reinvestment of this value into future Affordable Housing outcomes in the municipality on any future sale. A partnership with a shared equity operator was noted as an option to be able to assist the Applicant to meet this matter.</p> <p>As there is no specific model proposed in the draft Strategy it is assessed as partly meeting the criteria in relation to home ownership noting the draft Strategy provides a framework to ensure longevity of rental and ownership outcomes.</p>

Table 11: Further assessment of Affordable Development Outcomes prepared Draft Strategy against Matters



## 11. Summary of Assessment and Recommended Changes to the Draft Planning Controls

### It is my opinion that:

- 11.1. Council is required to facilitate the provision of Affordable Housing as an objective of planning. A rezoning is an appropriate point to confirm an inclusion as a condition of development.
- 11.2. The Act provides a clear framework of matters that must be considered to ensure that proposed Affordable Housing will be appropriate for very low, low or moderate income households in housing need. In summary the key criteria is that a dwelling should be:
  - appropriate in terms of tenure, dwelling type, size, amenity and location;
  - affordable in terms of rent or mortgage repayments, with the commonly accepted benchmark that lower income households should not pay more than 30 per cent of income on housing costs;
  - allocated to eligible households that earn below the government established income bands; and
  - managed as Affordable Housing for an appropriate period.
- 11.3. Evidence of unmet need for Affordable Housing in Yarra Ranges is clearly established particularly for Social Housing that is suitable for very low to low income households.
- 11.4. Examples of recent planning requirements on similar sites indicate 10 per cent and up to 20 per cent Affordable Housing is becoming a standard inclusion.
- 11.5. Reflecting sufficient detail in the CDP and the Schedule to the Zone is critical to ensuring there is sufficient clarity as to the amount, type and delivery arrangements by which Affordable Housing will be realised and the management, allocation and affordability of this housing over time.
- 11.6. The Proposition, draft Comprehensive Development Plan and draft Schedule to the Zone do not satisfactorily respond to:
  - the matters that must be considered in accordance with the Act to ensure appropriateness of an intended built-form for Affordable Housing;
  - the significant evidence of need and Council policy objectives for an increase in Affordable Housing in Yarra Ranges LGA;
  - the evidence that it is very low to low income households that are in most acute need of a dedicated Affordable Housing response in Yarra Ranges LGA, specifically Social Housing that is owned and managed by a registered housing agency.
- 3.7. The Proposition does not provide sufficient certainty as to how:
  - Affordable Housing dwellings will be delivered, with limited and non-committal references in the Proposition to ways outcomes “could” be achieved;
  - “Key worker” is defined (noting there is no definition within the Act) and if these households meet the income eligibility for Affordable Housing;
  - affordability will be determined in terms of sale price for proposed sale and rental arrangements;
  - the proposed sale of 3 per cent of dwellings at market or near-market prices will support eligible households in housing stress and in need of support, noting the Urbis (2020) analysis of demand highlights that moderate income households and ‘key workers’ are already catered for in this market and have incomes that exceed the Act eligibility, and are therefore expected to require limited or no subsidised assistance to access housing that is affordable;
  - the delivery of “Key Worker Housing”, “Affordable Dwellings” and “Shared Equity” housing would be structured to ensure any discount is protected and does not provide windfall gain to the first purchaser;



- long the majority of dwellings will be retained as Affordable Housing and investment provided by the developer in terms of land or discounts will be secured and regulated if not owned by a registered housing agency; and
  - “Affordable Rental Dwellings” if provided under a lease model, would be affordable, allocated and managed and for how long they would be retained as Affordable Housing.
- 11.7. The draft Framework I developed for Council in 2019 establishes a clear and justified 8 per cent Affordable Housing outcome and sets out a clear framework intended to support the refinement of the type, tenure, price and delivery options to achieve Affordable Housing on the site.
- 11.8. Assuming a total yield of 3,416 dwellings across stage 1 and 2, an 8 per cent contribution for stage 2 development would equal approximately 7.5 per cent of the total quarry site being Affordable Housing. This is considerably below the 22 per cent estimated to be required if Affordable Housing need for very low and low income households and reflects that delivery requires multiple inputs from governments, the development and not-for-profit sectors.
- 11.9. I recommend the following changes to the draft planning documents and controls to reflect the evidence of need and to provide sufficient clarity to all parties as to the delivery structure and outcomes that will be realised:**

#### **Comprehensive Development Plan**

- 11.7.1 Include a new Objective that “8 per cent of the total residential yield is Affordable Housing, including Social Housing, that is appropriate, affordable and allocated to very low, low and/or moderate income households in need.”
- 11.7.2 Include a new Requirement that “The Development must provide for the delivery of affordable, appropriate and integrated Affordable Housing, to comprise no less than 8 per cent of the total residential yield, 5 per cent of which must result in Social Housing that is suitable for very low to low income households to rent.”
- 11.7.3 Include Guidelines that:
- Affordable Housing is to be appropriate in terms of responding to housing need, location, dwelling type, tenure, and cost and be made available to rent or purchase by eligible very low, low or moderate income households.
  - Affordable Housing may be delivered through the gifting of land or dwellings or the discounted sale of dwellings to a registered housing agency, and for a maximum 3 per cent of the requirement, through a sale to eligible low to moderate income earners under an appropriately regulated affordable home ownership / shared equity model.
  - Affordable Housing that is not owned by a registered housing agency must be secured for this purpose for a minimum 30-year term, or where dwellings are sold to an individual, include a mechanism to ensure the investment is secured, repaid and reinvested over time.

#### **Schedule to the Zone**

- 11.7.4 Amend the Schedule to the Zone and replace the Affordable Housing section with the following wording to reflect the legislative framework and to ensure clarity as to the Affordable Housing outcomes that will be realised:

*A permit must not be granted to subdivide land to facilitate residential development until the owner of the land enters into an agreement with Yarra Ranges Shire Council (“Council”) under section 173 of the Act for the provision of 8 per cent Affordable Housing.*

*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, and must provide for the delivery of an 8 per cent Affordable Housing Contribution, which must comprise:*



- 1) *A minimum 5 per cent of dwellings to be delivered into a Social Housing purpose through the gifting of land or the sale of completed dwellings at a sufficient discount to a registered housing agency to support the renting of dwellings to households that meet the Victorian Housing Register eligibility requirements; and*
- 2) *A maximum 3 per cent of dwellings to be delivered as affordable rental housing and/or affordable home ownership through the gifting or discounted sale of land or dwellings, and/or the long-term leasing of dwellings, where dwellings are appropriate, affordable and allocated to low to moderate income households as defined by the Act for an agreed period under an appropriately managed and regulated model.*

*The agreement must set out the parameters of the Affordable Housing that is to be delivered and include:*

- *The mechanism by which the Affordable Housing will be delivered including the discount rate or shared equity contributions and the mechanism(s) that will ensure the contribution is appropriately secured and used for an Affordable Housing purpose for the agreed period;*
- *The dwelling mix to be achieved, which may include a focus on one and two-bedroom dwellings;*
- *The term of use, which must be for a minimum 30-year term for any rental dwelling not owned by a registered housing agency and the securitisation and reinvestment of any investment that supports subsidised home ownership should dwellings be subsequently sold;*
- *A plan for how the Affordable Housing will be integrated across the site;*
- *The timeframes by which the Affordable Housing is to be delivered, which must be no later than:*
  - o *For at least half of the 8 per cent Affordable Housing inclusion (4% of all dwellings); by the time that planning permits have been issued for 60 per cent of the total agreed stage 2 residential yield; and*
  - o *For all of the 8 per cent Affordable Housing; by the time that planning permits have been issued for 85 per cent of the total agreed stage 2 residential yield.*

*For the purposes of the agreement “Affordable Housing” is to have the same meaning as any definition of that phrase contained within the Planning and Environment Act 1987.*





## **Attachment 1: Yarra Ranges Affordable Housing Background Report**

## **Attachment 2: Draft Affordable Housing Development Negotiations Framework**

## **Attachment 3 – Draft Lilydale Quarry Affordable Housing Strategy**

*Refer to separate attachments.*



## Attachment 4: Examples of Planning Agreements

Site, Council and Year of Agreement	Yield and Zoning	% Affordable Housing	Affordable Housing Delivery	Planning Controls
East Village, City of Glen Eira 2020-2021	Comprehensive Development Zone 3,000 dwellings	5% Affordable Housing with agreement that the developer can seek to exceed 3,000 dwellings if they provide 10% of any additional dwellings as Affordable Housing.	5% requirement - developer to transfer land at no cost that has the capacity for 5 per cent of residential dwellings (150 dwellings) to a Registered Housing Agency to develop, or to construct and gift dwellings equalling 1,970 m <sup>2</sup> to a Registered Housing Agency. If the landowner seeks to exceed 3,000 dwellings, they must provide 10% of additional yield as Affordable Housing. Section 173 to be agreed to set out delivery mechanism.	Amendment C155glen (approved). Section 173 Agreement (approved): <a href="https://www.gleneira.vic.gov.au/media/5204/22-affordable-housing-agreement.pdf">https://www.gleneira.vic.gov.au/media/5204/22-affordable-housing-agreement.pdf</a>  Schedule 2 to Clause 37.02 CDZ requires that a permit must not be granted to exceed 3,000 dwellings within the Precinct, until the owner of the land enters in an agreement under Section 173 to provide for 10% of the number of dwellings beyond 3,000 (1 in 10) to be provided as affordable housing dwellings.
Clayton PMP Printing Site, City of Monash 2021	Comprehensive Development Zone 3,000 dwellings	Up to 10% Affordable Housing	The draft planning controls require the landowner and council to enter an agreement to provide for the delivery of up to 10 per cent Affordable Housing by way of one of the following options: <ul style="list-style-type: none"> <li>• Transfer of a land parcel or parcels with the capacity to support the development of 10 per cent of the site's total dwellings as Affordable Housing dwellings, to be provided to a Registered Housing Agency at nil consideration; or</li> <li>• Sale of four per cent of total dwellings as completed dwellings at a 50 per cent discount to the established market value to a Registered Housing Agency for use as Affordable (rental) Housing; or</li> <li>• The gifting of two per cent of total dwellings as Affordable Housing, delivered in the form of completed dwellings gifted to a Registered Housing Agency for use as Affordable (rental) Housing; or</li> <li>• Any other model that achieves ten per cent of total dwellings as Affordable Housing for a minimum 15-year period, on the</li> </ul>	Amendment C156mona – Planning Panel Report - <a href="https://vpa.vic.gov.au/project/pmp-printing-strategic-site/">https://vpa.vic.gov.au/project/pmp-printing-strategic-site/</a>  Draft Schedule to the Zone was supported by the Panel with minor amendment and sets out the specific requirements noted in the Affordable Housing Delivery column .



Site, Council and Year of Agreement	Yield and Zoning	% Affordable Housing	Affordable Housing Delivery	Planning Controls
			condition that these dwellings are managed through an appropriately regulated management a	
Fitzroy Gasworks, City of Yarra 2020	Mixed Use Zone	Up to 20% Affordable Housing	To be confirmed through provision of a dwelling diversity and affordable housing report prior to the preparation of a development plan.  The development plan in turn is expected to reflect the agreed delivery mechanisms.	Schedule 16 to the Zone requires the development to <i>“Provide for a range of dwelling types to cater for a variety of housing needs including the provision of up to 20% of dwellings as affordable housing (as defined at section 3AA of the Planning and Environment Act 1987).”</i>  Schedule 16 also requires that prior to the preparation of a development plan a dwelling diversity and affordable housing report must be submitted to Council to include: <ul style="list-style-type: none"> <li>- “A demographic analysis of the types of people and households anticipated to live within the development.</li> <li>- How the development will support the existing and future populations of the area.</li> <li>- Proposed dwelling typologies for the development.</li> <li>- How the development proposes to provide affordable housing and family friendly housing.”</li> </ul>
81-95 Burnley Street and 26 Doonside Street, Richmond, City of Yarra 2020	Mixed Use Zone	10% Affordable Housing	The Schedule provides a framework by which the affordable housing may be delivered which focuses on the landowner reaching an agreement with a registered housing agency.  The specific means by which the Affordable Housing is to be delivered must be set out in a Stage 2 Housing Diversity and Adaptability which is a condition of the DPO and development.	Amendment C223 (approved)  Schedule 15 to Clause 43.04 DPO requires the owner must facilitate the provision of 10 percent of the total number of dwellings as affordable housing by: <ul style="list-style-type: none"> <li>– Entering into an arrangement with a registered agency; and/or</li> <li>– Making other arrangements for the provision of affordable housing in conjunction with a not for profit (registered with the Australian Charities and Not-for-profits Commission) to the satisfaction of the responsible authority; and/or</li> <li>– Making other arrangements for the provision of for the provision of affordable housing as defined at Section 3AA of the Planning and Environment Act 1987, to the satisfaction of the Responsible Authority.</li> </ul>



Site, Council and Year of Agreement	Yield and Zoning	% Affordable Housing	Affordable Housing Delivery	Planning Controls
Altona North Precinct 15, Hobsons Bay 2018	Large rezoning from Industrial 1 Zone (IN1Z) and Industrial 3 Zone (IN3Z) to Comprehensive Development Zone Approx. 3,000 dwellings	5% Affordable Housing	Requirement for 5 per cent of dwellings to be sold at a 25 per cent discount to a Registered Housing Agency.  In the case a sale cannot be realised, the developer is required to pay the equivalent of 25 per cent of market value to a Housing Agency or Council to use for Affordable Housing purposes.	Amendment C088 (approved)  Schedule 2 to Clause 37.02 CDZ sets out specific details governing the way in which the dwellings are to be sold and the discount calculated.
Alphington Mill, City of Yarra 2009	Mixed-use zone 2,500 dwellings	5% Affordable Housing	Agreement to the gifting of 10 units to a Registered Housing Agency for 'in-perpetuity' use as Social Housing, and provision of 141 dwellings under a 10-year lease to be managed as Affordable Rental Housing.  Since this time the Housing Agency has secured funding supporting them to purchase at a discount the 141 dwellings and utilise as Social Housing 'in perpetuity'.	Amendment C123 and C200 (approved)  Schedule 11 to the DPO requires landowner to provide 5% of the total number of dwellings for the purpose of affordable housing developed in association with an accredited housing association.  Development Plan - <a href="https://www.yarracity.vic.gov.au/the-area/planning-for-yarras-future/current-projects/alphington-paper-mill">https://www.yarracity.vic.gov.au/the-area/planning-for-yarras-future/current-projects/alphington-paper-mill</a>



# References

- <sup>i</sup> Ministerial Notice, 1 June 2018
- <sup>ii</sup> Affordable Development Outcomes (2019) Yarra Ranges Affordable Housing Background Report
- <sup>iii</sup> Urbis (2020) Lilydale Quarry Affordable Housing Needs Assessment, estimates 13% households (p.3)
- <sup>iv</sup> Affordable Development Outcomes (2019) Yarra Ranges Affordable Housing Background Report
- <sup>v</sup> Affordable Development Outcomes (2019) Yarra Ranges Affordable Housing Background Report
- <sup>vi</sup> Affordable Development Outcomes (2019) Yarra Ranges Affordable Housing Background Report
- <sup>vii</sup> See - Affordable Development Outcomes (2019) Yarra Ranges Affordable Housing Background Report, page 23
- <sup>viii</sup> <https://www.vic.gov.au/homes-victoria-big-housing-build>
- <sup>ix</sup> <https://www.nhfc.gov.au/>
- <sup>x</sup> Hobsons Bay Planning Scheme Amendment C88, Panel Report, 22 February 2018
- <sup>xi</sup> Urbis (2020) Kinley Affordable Housing Proposition
- <sup>xii</sup> Urbis (2020) Lilydale Quarry Affordable Housing Needs Assessment, page 3
- <sup>xiii</sup> Urbis (2020) Lilydale Quarry Affordable Housing Needs Assessment, page 3

