

## Planning and Building Legislation Amendment (Housing Affordability and Other Matters) Bill 2017

One of the main purposes of the Planning and Building Legislation Amendment (Housing Affordability and Other Matters) Bill 2017 (the Bill) is to amend the *Planning and Environment Act 1987* to facilitate affordable housing supply.

### 1. Issues

1. There is a view within industry that the definition of affordable housing proposed in the Bill will lead to greater uncertainty in terms of what will constitute actual affordable housing stock.
2. A critical aspect of feasibility studies for residential development opportunities is knowing – or reasonably estimating - the sale price for the end product. Without this information, industry will be reluctant to proceed with residential developments with a component of affordable housing due to the increased risk. This may have the perverse outcome of reducing the pipeline of new dwellings, especially those meeting the definition of affordable housing, due to uncertainty.

### 2. Recommendations

1. While recognising that the *Planning and Environment Act 1987* does not provide scope to specify price ranges for the purchase or rent of housing, there is scope to require a methodology for calculating the sale price of the end product that meets the definition of affordable housing.
2. This methodology should rely on the definition of affordable housing adopted by the Affordable Housing Industry Group, which is:
  - Housing that is appropriate and available for the range of low to moderate income households (defined as households earning up to 120% of the median household income) to rent or purchase at no more than 30% of gross household income.
  - Appropriate housing is defined as:
    - a. Appropriate for that household in terms of size, quality, accessibility and location;
    - b. Integrated within a reasonably diverse local community;
    - c. Does not incur unreasonable costs relating to maintenance, utilities and transport; provides security of tenure and cost for a reasonable period.

This definition was adapted from the definition agreed to by all Federal, State and Territory Planning, Local Government and Housing Ministers in 2005 (Framework for National Action on Affordable Housing, August 2005).

This definition is consistent with that proposed under Clause 4 of the Bill.

3. The new Section 3AB of the Planning and Environment Act 1987 enables the Governor in Council, on the recommendation of the Minister, to make an order published in the Government Gazette which may specify the income ranges noted previously by reference to statistics published by the Australian Bureau of Statistics. Rather than this being a discretionary process, it should be a mandatory

requirement to annually release these income ranges. This will ensure industry is working with the most current data to calculate what constitutes affordable housing.

### 3. Overview of the proposed changes

Division 1 of Part 2 of the Bill implements the policy framework set out in the Victorian Housing Strategy *Homes for Victorians—Affordability, access and choice* for voluntary arrangements to facilitate the provision of affordable housing through the planning framework.

Clause 3 amends section 3(1) of the Planning and Environment Act 1987 to insert a definition of affordable housing by reference to the definition to be inserted by clause 4 of this Bill.

Clause 4 inserts new sections 3AA and 3AB after section 3 of the Planning and Environment Act 1987. New section 3AA(1) defines affordable housing for the purposes of the *Planning and Environment Act 1987* as being housing that includes social housing that is appropriate for the housing needs of any of the following:

- very low income households; and
- low income households; and
- moderate income households.

New section 3AA(2) provides that for the purposes of determining what housing is appropriate for these groups, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.

A purpose of this subsection is to enable the Minister to set out matters that a council must have regard to when entering into an agreement under section 173(1A) of the Planning and Environment Act 1987 in relation to affordable housing. The matters that may be specified will be those relevant to the planning framework, such as the location of housing in relation to public transport and activity centres, amenity and household size.

New section 3AA(3) sets out **that the Minister's notice cannot include prices or price ranges for the purchase or rent of housing** because they are outside the scope of the *Planning and Environment Act 1987*.

However, the new section 3AB enables the Governor in Council, on the recommendation of the Minister, to make an order published in the Government Gazette which may specify the income ranges using statistical data published by the Australian Bureau of Statistics (ABS). This will enable the household income ranges to be constructed from the ABS data (because the ABS do not currently and are unlikely to in the future publish definitions for particular income groups).

Clause 6 subclause (1) inserts a new subsection (1A) into section 173 of the *Planning and Environment Act 1987* which enables a responsible authority to enter into an agreement with an owner of land for the development or provision of land in relation to affordable housing. This will be an agreement for the purposes of section 173 of the *Planning and Environment Act 1987*. Any agreement entered into under section 173 of the *Planning and Environment Act 1987* is a voluntary agreement.

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