



SUMMARY REPORT

Advancing Land-Use Planning Approaches to Facilitate Affordable Housing

Prepared by the Affordable Housing Industry Advisory Group

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With the advice of:



Feasibility modelling sponsored by:



Members



Further Information

For further information on the Advisory Group or to discuss the Paper please contact:

Nicola Foxworthy, Chair
nicola@cehl.com.au

Kate Breen, Adviser
kate@affordabledevelopmentoutcomes.com.au

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Advancing Land-Use Planning Approaches to Facilitate Affordable Housing

The Affordable Housing Industry Advisory Group (the Advisory Group) agrees that affordable housing is critical economic and social infrastructure and that a suite of tools and investment is required to tackle this challenge.

This can include the appropriate application of the land use planning system to facilitate new affordable housing supply.

The Advisory Group welcomes recent actions by the Victorian Government to establish an affordable housing Purpose, definition and Head of Power within the Victorian Planning and Environment Act and the importance of these steps in creating a legal framework to provide for the utilisation of the planning system to facilitate affordable housing.

The Advisory Group is seeking to engage with the Government on the implementation of this legislative framework and to support its translation to viable and practical planning models that can enable the industry to partner and deliver reasonable levels of affordable housing supply at scale without unintended market consequences.

A Discussion Paper has been prepared as a practical contribution to this policy development and recognition that greater guidance and a clearer economic basis is urgently required to inform the determination of the appropriateness, scope and viability of affordable housing outcomes increasingly ‘voluntarily’ negotiated by local authorities through the planning approval process.

The Advisory Group’s focus, reflected in the Paper, is on what long-term, **standardised planning provisions** could be implemented in Victoria that could be **viable**, underpinned by an assessment of development economics and commercial viability; **scalable**, resulting in a reasonable supply of affordable housing; and **transparent** as to the market application and the value generated and shared towards affordable housing.

Planning scenarios

The Paper sets out a preliminary analysis of three ways in which the planning system could be potentially structured to effectively facilitate industry co-investment in new affordable housing supply at a reasonable scale:

- **A ‘Priority Development Assessment Provision’**, enabling developers to voluntarily apply to an independent development assessment panel to assess their planning application within a clear and short timeframe (maximum 3 months) with removal of third party appeal rights, in exchange for a contribution to affordable housing.
- **An ‘Additional Floor Area and Priority Development Assessment Provision’**, enabling developers to voluntarily apply an increase in development yield above mandatory or base height limits, and for their application to be assessed by an independent development panel within a clear and short time frame (3 months) in exchange for a contribution to affordable housing.
- **An ‘Affordable Housing (Discounted Sale) Provision’**, to apply in agreed circumstances to developments of over 100 dwellings, resulting in the sale in the first year of application of one per cent of dwellings at a 30 per cent discount to market value to a dedicated affordable housing purpose, with the percentage of dwellings sold increasing over time.

Based on initial analysis and subject to further refinement and market testing, these planning provision concepts are recommended to undergo further development and consideration by the Victorian Government in close collaboration with industry stakeholders.

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Potential impact

While indicative, and subject to further analysis as to the structure and viability of applying each provision, the feasibility modelling has identified that there is reasonable monetary value, estimated to be between **\$130,000 and \$1.24 million on a development of 100 units**, that could be **provided by private land owners towards affordable housing outcomes at no or minimal cost to Government**.

Subject to the structure, application and rate of market adoption, these provisions could result in an **estimated 250 + new affordable housing dwellings being delivered per annum**.

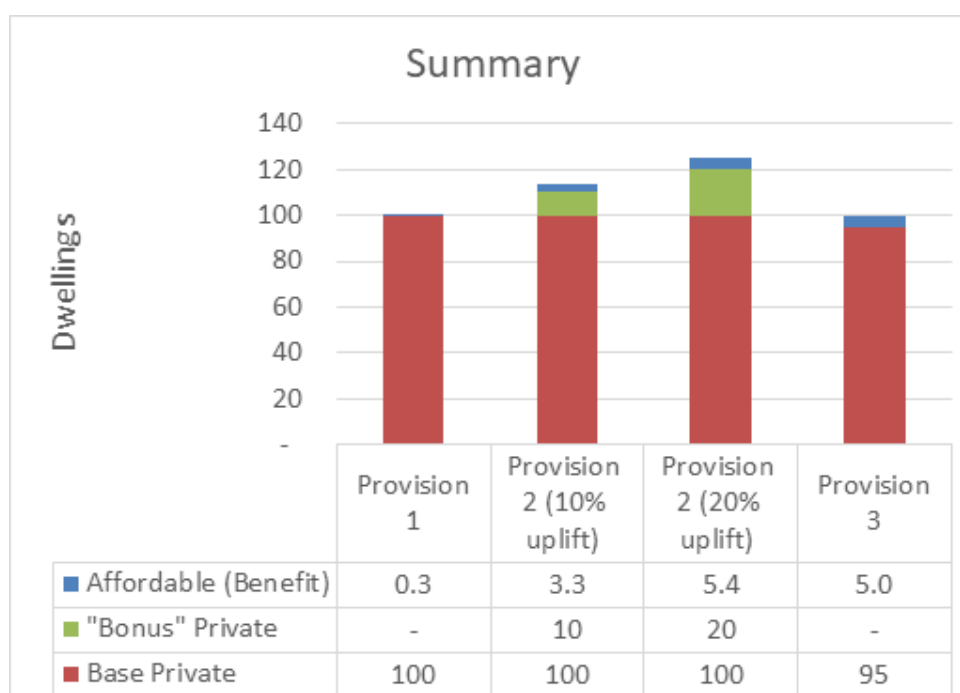
Engagement proposal

The Advisory Group is seeking to formalise a process of engagement with the State Government to further explore these concepts with the intention of advancing the co-development of one or more of the provisions on the basis that key stakeholder requirements can be addressed and implementation details agreed.

We recommend this work occur in parallel to the Government and industry co-designing as an interim step, best practice guidance to support voluntary negotiations, with the learnings from this process informing the development of long-term systemised approaches.

Value share tool in a rezoning

The Paper also highlights a range of industry views and potential complexities in relation to the Victorian Government's decision to develop a tool to share the value in the instance of a rezoning. The Advisory Group is seeking to engage with the State Government to further explore these views and consider options to progress this commitment.



Summary of Planning Provision Concepts

	Planning Provision	Potential zoning application	Minimum development size	Affordable housing contribution	Estimated \$ value to affordable housing / 100 units	Estimated # affordable housing dwellings / 100 units*	Estimated contribution to affordable housing Supply per annum**
Priority, Independent Development Assessment Provision	<ul style="list-style-type: none"> • Voluntary (opt-in provision) • Application assessed by Independent (expert) Development Assessment Panel • Guaranteed assessment period (3 months maximum) • Removal of third-party appeal • Value share in form of contribution to affordable housing 	Mixed Use; Activity Centre; and/or Residential Growth Zones	40	\$ into a fund or translated into a floor area contribution	\$130,000	0.3 units	Low
Additional Floor Area & Priority Development Assessment Provision	<ul style="list-style-type: none"> • Voluntary (opt-in provision) • Provision of additional floor area • Application assessed by Independent (expert) Development Assessment Panel • Guaranteed timeframe (3 months maximum) • Removal of third-party appeal • Value share in form of contribution to affordable housing 	Comprehensive Development; Mixed Use; Activity Centre; and/or Residential Growth Zones	40	Delivered on-site	\$1,250,000 - \$2,054,000 (10 – 20% uplift)	3.3 – 5.4 units	Moderate
Discounted (Affordable housing) Provision	<ul style="list-style-type: none"> • Sale of a percentage of units (within agreed locations or meeting agreed criteria) at discount to Market Value into an affordable housing purpose (modelling on 30 per cent discount) • Applied with sufficient advance notice to market for development over 100 dwellings • Lower percentage to be sold in year one (modelled to commence on 1 per cent total stock) to incrementally increase overtime. 	Comprehensive Development; Mixed Use; Activity Centre; and/or Residential Growth Zones	100	Delivered on-site	\$180,000	1 unit (Year 1) increasing to 5 units in Year 5	Moderate

*Based on feasibility assessment of 100-unit development

** Low is considered less than 100 dwellings, Moderate between 100 and 500 dwellings, High, over 500 dwellings. Subject to detailed analysis.



Affordable Housing Industry Advisory Group

The Affordable Housing Industry Advisory Group (the Advisory Group) comprises of representatives of Victoria's leading residential development and affordable housing peak bodies and private and not-for-profit development and financing organisations, as well as reputable industry advisers.

The Advisory Group is committed to utilising its cross-industry expertise to inform, and influence government decision-making to ensure that affordable housing policies are viable and sustainable in the long-term, underpinned by an understanding of the market context, development economics and assessment of risk, and structured to support industry co-investment.

Acknowledgement

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Further information

For further information on the Advisory Group or to receive a copy of the Paper please contact:

Nicola Foxworthy,
nicola@cehl.com.au

Kate Breen,
kate@affordabledevelopmentoutcomes.com.au