



***Submission to the 10-Year
Strategy for Social and
Affordable Housing Discussion
Paper***

April 2021

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ABOUT UDIA VICTORIA

The Urban Development Industry of Australia, Victoria Division (UDIA Victoria) is a non-profit advocacy, research and educational organisation supported by a membership of land use and property development organisations, across the private sector and Victoria's public service. We are committed to working with both industry and Government to deliver housing, infrastructure, and liveable communities for all Victorians.

INTRODUCTION

The Urban Development Institute of Australia, Victoria Division (UDIA Victoria) welcomes the opportunity to provide feedback regarding the *10 Year Strategy for Social and Affordable Housing* discussion paper (Draft Strategy). UDIA Victoria's members are deeply engaged with the planning and delivery of residential development across urban infill and greenfield development areas, therefore we welcome the State Government's commitment to ensuring there are enough homes, in the right locations, accessible to all Victorians.

UDIA Victoria considers affordable housing to be critical social infrastructure that has direct economic outcomes in terms of Victoria's productivity, liveability, and international competitiveness. Indeed, housing affordability is a key element of our current Advocacy Agenda, which seeks to ensure policy and planning decisions prioritise housing affordability by providing investment certainty, facilitating a robust housing supply, and ensuring that State and Local Government policy considers affordability impacts.

We are of the view that Victoria does not currently have a coordinated, sustainable or scaled system for delivering affordable housing, which is compounded by under-investment in social and affordable housing stock by successive governments over the last three decades. New models and new collaboration frameworks are necessary to increase the supply and diversity of affordable housing available across Victoria.

In this context, UDIA Victoria agrees that a fundamental step change in policy and delivery is required to embed the foundations for growth and sustainability of social and affordable housing in Victoria. Further, this step change in policy and delivery must include an ongoing funding stream for affordable housing.

We are also strongly supportive of the shared action and accountability ethos of the Draft Strategy, and the clear objective to clarify the roles and responsibilities for all stakeholders in delivering on the vision.

UDIA Victoria members are responsible for the development of the majority of new homes delivered each year across Victoria, therefore deep and robust engagement with the sector will be critical for the successful delivery of the Draft Strategy objectives.

The focus of this submission is to provide feedback on the overarching principles outlined in the Draft Strategy and the relevant questions relating to affordable housing. We also provide an outline of the UDIA Victoria position on affordable housing, including an outline of the feasibility of residential development projects, the government role and investment in affordable housing, the overarching principles for delivering affordable housing and recommendations to increase the supply of affordable housing.

UDIA Victoria looks forward to further engagement with Homes Victoria through the coming months as the Draft Strategy is finalised ahead of being submitted to the Victorian Government for consideration.

Definition of Affordable Housing

In this submission, we use the definition of affordable housing as set out in the *Planning and Environment Act 1987*:

Affordable housing is housing, including social housing, that is appropriate for the housing needs of very low, low, and moderate income households.

This definition was further articulated in the *Affordable Housing Strategy 2020-2030* (City of Melbourne) as follows:

Affordable housing is a broad term that includes:

- *Social housing – a broad term that includes public housing and community housing.*
 - *Public housing – long-term rental housing owned and managed by state governments.*
 - *Community housing – long-term rental housing owned and/or managed by community housing organisations.*
- *Subsidised market housing – housing that is provided by the private market through a number of possible subsidy arrangements. Subsidies may support rental or ownership models.*
- *In some instances, private market housing may qualify as affordable housing if it is affordable for very low to moderate income households.*

We consider the **responsibility to adequately fund affordable housing, including social housing, rests with all levels of government**, rather than the residential development industry, because it is social infrastructure.

The residential development industry can construct and deliver new housing for the purpose of social and affordable housing to be transferred to the State Government or registered housing associations or providers, however adequate funding for the acquisition of this housing must be provided.

Further, a **significant proportion of the new housing delivered to market by UDIA Victoria members meets the requirements for the low and moderate incomes ranges** as defined in the Governor in Council Order for affordable housing. On this basis, we consider the **residential development industry already makes a significant contribution to the delivery of private market affordable housing**, and this fact should be more widely acknowledged.

OVERARCHING DRAFT STRATEGY FEEDBACK

UDIA Victoria is broadly supportive of the overarching principles outlined in the Draft Strategy, however we note it is lacking in both detail and targets. Our broad feedback and key positions regarding the Draft Strategy are outlined below:

1. We agree there is an **urgent need to ensure enough homes are available**, in the right locations, and accessible to all Victorians; this includes growing the quantum of social housing, as well as facilitating affordable options that bridge the gap between social housing and the private market.

2. The Draft Strategy states promisingly that **private sector partners will play an increasingly influential role** in the development of social and affordable housing, and this will be underpinned by having confidence to invest in the sector through clear government policy support, priorities and objectives. It is critical, however, that this approach does not lead to scenarios where the residential development sector is solely responsible for the funding and delivery of social and affordable housing. We consider affordable housing to be social infrastructure therefore it should be funded from a broad base rather than a single industry sector.
3. UDIA Victoria acknowledges the **important and growing role that community housing providers play** in the provision and management of social and affordable housing. Typically, however, community housing operators are not resourced or experienced in the property development and the construction delivery process. Accordingly, the **private development sector delivers the vast majority of newly constructed social and affordable homes** for the community housing providers.
4. Further to the point above, **capacity building programs** must be provided to all levels of government, residential development and community housing industries, financiers, and the community. This is essential to ensure the success of the system.
5. The Draft Strategy fails to **outline the range of actions to help attract co-investors and delivery partners** to increase the supply of diverse, well-managed long-term affordable housing at scale.
6. The Draft Strategy must focus on **providing practical guidance and actions** to support the provision of affordable housing that can withstand property cycles and changes in government. Policy and implementation mechanisms must be clear and provide investment certainty.
7. The State Government has a key role in establishing **transparent and efficient procurement processes** that enable the industry to participate, co-invest, partner, deliver, and that reduces risks and costs to participate.
8. It is essential that the **delivery of affordable housing is understood within a wider market system context** which is impacted by factors such as population policy, financial markets and policy, tax settings, planning policy and approvals processes, labour markets, and material supply and costs.
9. UDIA Victoria recommends that the State Government **continue to pursue wider reforms** to facilitate the efficient delivery and a robust pipeline of new housing, and must ensure that any **new policy does not have a perverse impact on wider market affordability or supply**.

UDIA VICTORIA POSITION ON AFFORDABLE HOUSING

UDIA Victoria is committed to finding meaningful solutions to Victoria's housing affordability crisis. Demonstrating our longstanding commitment to finding real solutions to the affordable housing challenge faced in Victoria, UDIA Victoria has been an active member of the Affordable Housing Industry Advisory Group (AHIAAG) since its establishment in 2016.

In 2019 we delivered the *Introduction to Property Development Economics for Affordable Housing* course, on behalf of the Department of Environment, Land, Water and Planning (DELWP). This course was tailored to State and Local Government staff who are engaged in developing policy relating to affordable housing and assessing planning permit applications with an affordable housing component. Our mutual objectives to boost housing supply and to make it more affordable are aligned.

Where we differ from the current State and Local Government approach is the mechanism for funding affordable housing and increasing the delivery of affordable housing to market. UDIA Victoria considers affordable housing to be critical social infrastructure and that a whole-of-government approach is required to ensure a sufficient supply is available, rather than relying on the residential development sector to fund and deliver affordable housing at its cost.

We believe the current undersupply of affordable housing is a direct result of significant underinvestment by successive governments over time combined with supply-constraining policy. Whilst the \$5.3 billion Big Housing Build is welcomed by industry - and will generate up to 12,000 new dwellings over the coming decade – it is not enough to compensate for years of underinvestment.

We agree the affordable housing challenge will require an ongoing effort extending beyond the Big Housing Build, and we believe this is a shared responsibility between Local, State and Federal Governments.

FEASIBILITY OF RESIDENTIAL DEVELOPMENT

UDIA Victoria is concerned about what appears to be a significant disconnect in Local and State Government regarding the cumulative impact of development charges and taxes, and their impact on the feasibility of residential development. We consider that the **residential development industry already makes a disproportionate contribution to State Government revenue**, and that a portion of the multiple taxes and charges already collected could be redirected to support the delivery of affordable housing.

Compounding this, it is our experience that flawed assumptions have been incorporated into hypothetical modelling used to justify mechanisms (such as inclusionary zoning) that require a percentage of residential developments to be 'gifted' for affordable housing. Whilst we acknowledge there is merit in social and affordable housing targets in certain development contexts, there is no basis for this to be 'given away' by the private residential development sector at its cost.

There is also insufficient recognition that the residential development sector already predominantly delivers housing that sells at or below the prevailing median price in local areas, which constitutes a significant contribution towards affordability in that particular market. In addition to this, a significant proportion of the new housing delivered to market by UDIA Victoria

members meets the requirements for the low and moderate incomes ranges as defined in the Governor in Council Order for affordable housing. On this basis, the residential development industry makes a significant contribution to the delivery of private market affordable housing.

Cumulative Impact of Development Charges and Taxes

In Victoria, the residential development sector is required to make numerous contributions as part of the planning approval and development process for new residential land in growth areas or new dwellings in established areas. UDIA Victoria recently engaged Urban Enterprise to quantify the development charges and taxes for each of these development settings.

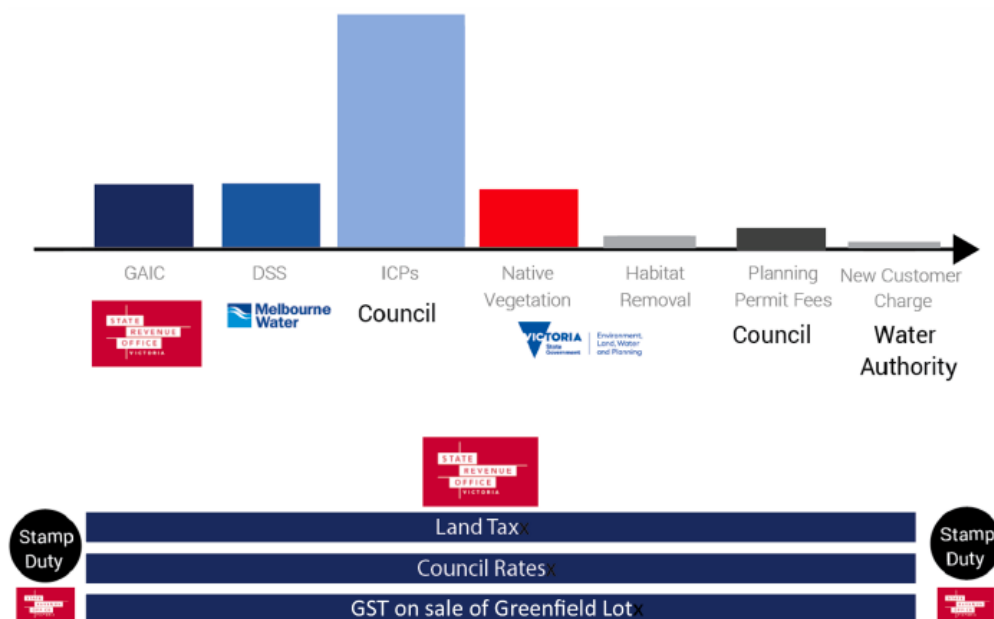
The research revealed the residential development sector **contributes a total of \$6.4 billion annually** through the following:

- \$2.5 billion of development charges; and
- \$3.9 billion of taxes on residential development.

In greenfield development areas, the combined average greenfield charges and taxes is \$2,480,000 per hectare. This equates to **\$146,100 per lot** or **44% of the median greenfield lot price**.

A 'worst case scenario' was also quantified which adopts the maximum amounts of each infrastructure charge. The combined 'worst case scenario' of charges and taxes equals \$3,050,000 per hectare. This equates to **\$179,400 per lot** or **54% of the median greenfield lot price**.

The wide range of development charges and taxes applied to greenfield development areas is represented in the table below prepared by Urban Enterprise.



Source: Urban Enterprise, 2021.

In established areas (strategic development areas), the combined taxes and charges equate to approximately **\$165,200 per dwelling** or **28% of the dwelling price**.

This research demonstrates that the cumulative impact of the development charges and taxes are significant, and directly contribute to the escalating cost of new housing which in turn negatively impacts on private market housing affordability. **The quantum of development charges and taxes outlined above is a direct contributor to the current housing affordability crisis** and should be directly reinvested by government in social infrastructure.

In this context, any proposal to impose additional taxes or charges to residential development, or to require residential development to 'gift' a percentage of dwellings for social and affordable housing, will be **attempting to solve the housing affordability crisis by further taxing residential development which will only serve to exacerbate the current problem.**

Conversely, reducing the cost of delivering new housing to market through planning systems reforms, reducing development charges and taxes, and increasing the supply of new housing, all contribute to improving overall housing affordability and enables more people to buy their own home.

Flawed Assumptions in Feasibility Modelling

UDIA Victoria holds significant concerns that the modelling used to justify some of the proposed mechanisms for increasing the supply of affordable housing is fundamentally flawed. For example, the background report prepared to support the City of Melbourne's proposal for Inclusionary Zoning outlined in their *Affordable Housing Strategy 2020-2030* is based on incorrect assumptions and a misunderstanding of market dynamics.

This points to a broader issue whereby policy makers seek out modelling that supports their preferred policy approach, rather than developing policy based on industry knowledge and accurate modelling.

The modelling noted above was relied on to demonstrate that a requirement to 'gift' ten per cent of the net saleable area of a development for affordable housing would have no impact on the overall cost of development. A key assumption in this modelling was that vendors would simply reduce their land price to a point where 'gifting' ten per cent of the net saleable area of new developments would be offset by a commensurate reduction in the land cost. Industry experience does not support this assumption for the following reasons:

- A fundamental assumption made in the modelling was that vendors would sell their land at 1.25 times the capitalised rental value of the property to developers. This difference between current market price and the 1.25 times figure represented the 'value' that could be skimmed from the land to offset the cost of 'gifting' ten per cent of net saleable area. This approach ignores vendor psychology and the many alternative options that vendors have other than selling for development. Selling the land at the 1.25 times capitalised rental valuation proposed above would represent an extraordinary reduction in perceived land values; industry experience indicates that vendors would rather hold the land than transact it at a discount to market.
- The assumption that there is an abundance of properties available to developers to buy is grossly misleading and incorrect. Development land is tightly held, the residential development industry is extremely competitive, and most sites will have multiple buyers bidding with a current weight of capital that underpins existing values.
- Despite high land costs, the land value itself remains a relatively small input cost to projects compared to the capital cost of the development and the end value. Given the

land input cost is relatively low, ‘gifting’ ten per cent of the net saleable area would result in the development value of sites being absurdly low to offset the value of ten percent of the net saleable area. In this scenario, land vendors would be better off holding on to the land, or repositioning existing assets, rather than selling to developers.

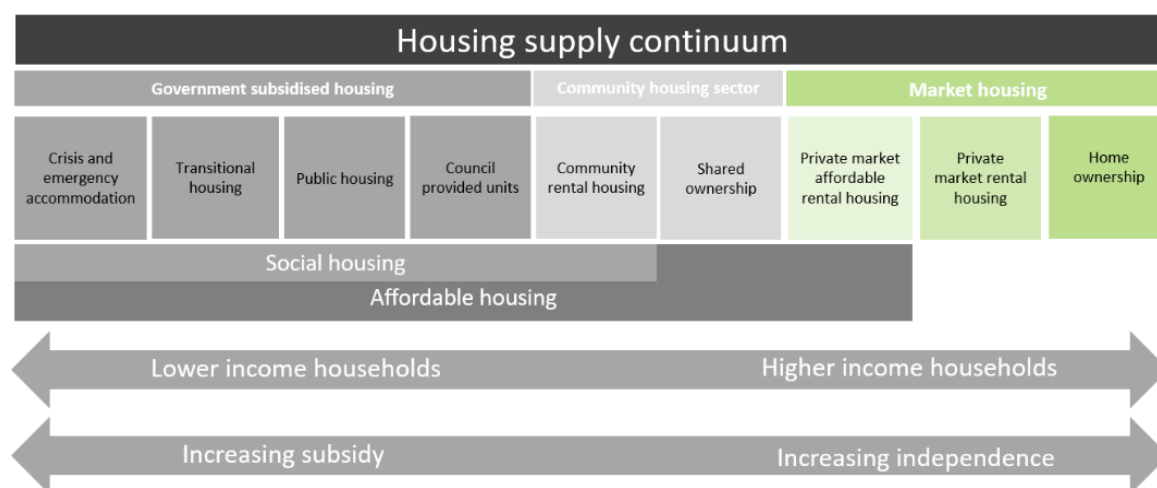
- The alternative method for offsetting the ‘gift’ of ten per cent of the net saleable area is to transfer the loss to the market price of the remaining dwellings. This in effect **results in a direct cross subsidy between the ‘gifted’ affordable housing and the market housing**, thereby increasing the cost of market housing in turn **exacerbating the housing affordability problem**.

GOVERNMENT ROLE AND INVESTMENT IN AFFORDABLE HOUSING

UDIA Victoria considers that the Federal, State and Local Governments all hold shared responsibility for the funding and delivery of affordable housing, either through direct funding, implementing enabling policy or planning approvals processes, or utilising surplus government land. As noted previously, the current undersupply of social and affordable housing is the result of significant underinvestment and supply-constraining policy by successive governments over time.

In the context of affordable housing being social infrastructure, we consider that infrastructure funding should align with population movement and settlement patterns, and social infrastructure investment commensurate with the population movement should be included in those funds.

The diagram below outlines the housing supply continuum, and the multiple opportunities for the Federal, State and Local Government to participate in the delivery of affordable housing.



Source: City of Sydney, 2015, Housing Issues Paper.

The affordable housing challenge will require an ongoing effort extending beyond the Big Housing Build, and the creation of partnerships between the public and private sector. To achieve this, we are seeking to work with the State Government to **advocate for increasing Federal investment in affordable housing** to assist in establishing an **ongoing funding stream**.

The Federal Government has a large tax base which can be leveraged to contribute to an ongoing funding stream, for example by introducing a levy (such as the MediCare Levy) or the funding model (such as the National Disability Insurance Agency funding model) to contribute to affordable housing. Likewise, the State Government can contribute to an ongoing funding stream by redirecting receipts from its existing tax base, or introducing a broad-based levy.

An ongoing funding stream must be supported by **State Government-led affordable housing policy** outlining mechanisms for funding and delivery. In the absence of this, Local Governments are increasingly applying their own policies seeking an agreement from developers to 'gift' affordable housing assets as a condition of obtaining a planning permit.

UDIA Victoria strongly opposes such measures. This is simply an attempt to shift the cost to the residential development sector with little regard for the practical impacts that will have on broader housing affordability. As demonstrated above, the cost of 'gifting' dwellings for affordable housing is not offset by reduced land costs.

Further, the ad-hoc approach by Local Government will have the opposite effect to that sought; it will reduce the number of residential projects that are financially viable, thereby reducing the total new housing delivered to market, some of which falls within the definition of affordable housing. Where projects can go ahead, the dwellings sold to market will likely cover the cost of gifting the dwellings for social and affordable housing, thereby creating a cross subsidy within the project. In effect, this shifts the burden of delivering affordable housing entirely to the purchasers of new market dwellings.

Compounding the ad-hoc Local Government approach is an absence of data demonstrating the deficit of affordable housing and the locations where it is most required. Therefore, a key plank of a State Government led affordable housing policy must be the **collection of accurate data** demonstrating the quantum of affordable housing required and the preferred location for the housing. This data should be used to inform **Affordable Housing Targets**, which enables the funding for affordable housing to be directed where it is needed most.

OVERARCHING PRINCIPLES FOR DELIVERING AFFORDABLE HOUSING

It is in this context that we provide the following overarching principles for the delivery of affordable housing:

1. **Affordable housing should be viewed as social infrastructure** that is a broader community issue; the solution to which should not be isolated to the private residential development sector or ultimately the purchasers of new market housing.
2. The current housing affordability crisis cannot be solved through Victoria's planning system alone, or by having various arrangements in place at the Local Government level. The solution requires a **whole-of-government approach** underpinned by significant capital investment from the State Government which will ultimately result in cost savings to the broader community and the government (for example, through the justice and health spends).
3. A **robust supply of new housing** will make more houses more affordable to rent and buy for more Victorians. Further, a significant proportion of the new housing delivered to market by UDIA Victoria members meets the definition of private market affordable

housing. Therefore boosting supply of new housing boosts supply of private market affordable housing.

4. Industry is **ready, willing and able to deliver affordable housing in partnership**, but not at the expense of investment certainty and project feasibility which would result in a reduction in supply and lead to an increase to the median house price.
5. UDIA Victoria, in principle, **does not support inclusionary zoning** on privately held land that has already transferred for the purpose of residential development because the uplift in land value has already taken place. Without appropriate subsidies and incentives for developers to ameliorate the costs of providing affordable housing, a mandatory mechanism would lead to a cross-subsidy between the apartments sold to the market and those provided for affordable housing. This would ultimately exacerbate housing affordability issues, making private market housing more unaffordable and pushing more people into requiring social and affordable.
6. Any requirements introduced that impact development costs **must be phased in gradually**, from a low base, in order to allow the market to adjust. Market cycles take three to five years, and most development approvals are completed within a three to five year time frame. A faster introduction will detrimentally impact development feasibility and thus is likely to negatively impact housing supply during that period. Concurrently, **capacity building programs** must be provided to all levels of government, residential development and community housing industries, financiers, and the community.
7. The **sensitivity and extremely low margins in regional development or certain greenfield settings** as a result of lower land prices and high development costs must be recognised; increased requirements with direct cost impacts cannot be tolerated in these settings without stalling development outcomes.
8. **Affordable housing delivery on Federal, State and Local Government land must be maximised:**
 - Current requirements are either very low or nil when surplus government land is disposed of, and the disposal process appears to be focused on generating maximum revenue, thereby demonstrating the competing policy interests within government. Any profits from the disposal of surplus government land should be dedicated directly towards affordable housing outcomes and should not flow to consolidated State and Local Government revenue.
 - Provide long-term low-cost leases on surplus government land for Build to Rent (BTR) product for use as affordable rental housing. Currently the Build to Rent product is skewed towards the very high rental market because the land costs and holding costs are high.
9. Further to the point above, **government must ensure BTR becomes commercially viable as a private market affordable rental product**. We consider BTR to be a key affordable housing option over the life of the Draft Strategy as the Victorian community goes through the journey of housing affordability to housing attainability.
10. Numerical targets should be set for both general housing and affordable housing supply. **Affordable housing targets** must be informed by the quantum of affordable housing required and the preferred location for the housing. These targets then should drive the development and assessment of Local Government housing policy and focus and prioritise

both State and Local Government policy efforts and investment for the delivery of affordable housing across a spectrum of initiatives. Affordable housing targets should also consider the relative affordability of product to be delivered to the market by project, especially in the case of medium and higher-density dwellings.

11. Incentivise **Local Government to plan for new housing** by aligning infrastructure investment to housing growth targets.
12. There must be **flexibility to consider and accommodate private sector models** for the delivery and management of affordable housing beyond registered housing associations or providers. Privately owned affordable housing can be maintained as affordable housing with a Section 173 Agreement or other covenant.
13. The **Permanent Rental Affordability Development Solution (PRADS)** model could supplement the broader private sector models noted above. PRADS is a model where as part of a negotiation process with the local government authority (LGA), the developer agrees to share some of the value created in the planning process (including rezonings) by providing affordable housing “for life”. The obligation is then secured via a voluntary planning agreement (i.e. Section 173 Agreement).

The developer sells the dwellings to investors (at a lower price due to the lifetime encumbrance) in the private market with an obligation for the investor to comply with a robust governance process. Through an approved property manager, the investor then rents the dwelling to the specified target market. The PRADS model could also be included in the Toolkit options.

14. UDIA Victoria notes again the **critical role of institutional investors (increasingly including ESG investors) and listed property trusts** in Victoria’s housing market. Institutional investors, such as superannuation property funds, are key to unlocking scale in the delivery of affordable housing. We are aware of potential issues with this approach, however the State Government could underwrite rents to reduce the risk for institutional investors in exchange for a lower return expectation.
15. The Draft Strategy must seek to **build the capacity of key stakeholders**. This capacity building includes the development of a toolkit for the market (details below), and the scaled growth of housing associations or providers to be able to trade effectively in larger scale public-private partnerships and to gain access to broader ESG funding markets. Important lessons can be learnt from international models at scale, which demonstrate a significant proportion of shared equity participation, BTR models, tax increment financing models, and other such options in comprehensive toolkits.

RECOMMENDATIONS

UDIA is committed to working collaboratively with government and all housing sector stakeholders to significantly increase the supply of affordable housing across Victoria. We agree that Victoria needs an affordable housing system that is person-centric, robust, resilient and innovative, with transparent oversight and regulation.

We also believe a consistent supply of affordable housing requires an ongoing funding stream, clear governance structures for the collection and disbursement of these funds, and capacity building for stakeholders.

As noted previously, our recommendations are focussed on answering the following questions posed in the Draft Strategy:

- *What do we need to do to enable a well functioning affordable housing system that provides rental and home ownership opportunities for those that need them?*
- *How do we strengthen our partnership approach to build a stronger and more effective social and affordable housing system?*

In this context, UDIA Victoria makes the following recommendations:

Establish an Ongoing Funding Stream

1. The **establishment of an ongoing funding stream** for affordable housing is critical to addressing the significant shortfall:
 - Our clear preference is a **broad-based Affordable Housing Contribution levied on council rates**. The shortage of affordable housing is a community wide problem, therefore the funding to address it should be shared by the community, rather than one industry sector. By way of example, the Fire Services Levy (FSL) is applied to council rates so land owners contribute towards the cost of addressing a community-wide issue. The FSL raises approximately \$750,000,000 per annum. This is the equivalent of 1,500 dwellings per year (at \$500,000 per dwelling).
 - A very distant second preference is a **levy applied through the Victoria Planning Provisions**. This comprises a tightly defined, broad-based, flat rate Affordable Housing Contribution levied across metropolitan Melbourne, to avoid skewing of market activity between sectors, precincts or specific sites. We note that this approach will ultimately increase the cost of new housing, and will ultimately result in a cross subsidy between the new private market housing and the affordable housing. The Affordable Housing Contribution must:
 - Be applied to permits for any use and development, including commercial, industrial etc.
 - Be phased in at a low rate (i.e. 0.5% of assessed land value at the time of application) for a transition period of no less than five years to allow the market to adjust.
 - Replace all other affordable housing requirements with a delivery cost to developers such as voluntary agreements or planning controls.
 - Be permitted to be satisfied via cash, or delivered outcomes to the equivalent cost.
 - Be matched by the State Government.
 - Be collected and managed transparently by a centralised Independent Authority established for that purpose.
 - Be paid or delivered at the time of settlement of the title or the issue of the Municipal Compliance Statement.

Establish an Affordable Housing Delivery Toolkit

2. The establishment of an **Affordable Housing Delivery Toolkit** (“Toolkit”), aligning Federal, State and Local direct funding opportunities and incentive mechanisms to bridge the gap between the Affordable Housing Contribution and the Affordable Housing Targets:
 - Where delivery targets are identified through a strategic planning process, that process must also identify the Toolkit measures that will be applied by Government to guarantee the gap, to ensure a level playing field.
 - An example Toolkit relevant to the Victorian context is set out below, and includes (but is not limited to) direct government capital and land allocation, taxation relief, development right uplift mechanisms, and the Affordable Housing Contribution funds.

Federal mechanisms	State Government mechanisms	Local Government mechanisms	Planning tools
Tax deductions for value of discount between market value and affordable outcome delivered.	State Government tax relief for proposals including affordable housing delivery	Delivery of broader housing targets to support State population growth	Affordable Housing Contribution
Bond aggregator	State – boost to direct, regular funding of RHAs (not project grant dependent), to enable their active participation in the housing market. This could be in the form of a significant expansion of Social Housing Growth Fund	Direction of underutilised land to affordable housing outcomes	Affordable Housing Delivery Targets (Funded/incentivised using methods in this toolkit where the value of the delivery target exceeds the Affordable Housing Contribution).
Deposit guarantee	Shared equity Over 10 years develop a government bursary fund for a rent to own program or equity program. Building capability for rent to own arrangements.	Rates reductions for properties held by RHAs	
City Deals	State Government land	Uplift mechanisms to support delivery targets over and above the value of Affordable Housing Contribution	
Population Settlement Strategy with housing delivery targets linked to infrastructure funding support	Tax equalisation for BTR proposals	Preparation of affordable housing strategies that set out the specific needs in their municipality informing preferred delivery modes for achieving delivery targets	
Crown land	Planning / title tools to recognise discounted purchase schemes to ensure		

	any subsidy is passed on in future transactions		
Direct funding	Establishment of centralised Affordable Housing Contribution trust with brokerage function linking CHAs to specific precincts or developments		
Support for rental subsidy models (e.g. NRAS-style private models)	Recognition of private affordable housing delivery models (e.g. title restrictions that pass on any subsidy for future sales		

Establish Robust Governance Structures

3. Funds raised by the Affordable Housing Contribution must be collected and managed transparently by an **Independent Authority** established for the purpose of delivering affordable housing outcomes. This Independent Authority should have the capacity and authority to facilitate partnerships linking registered housing associations or providers to development or precinct specific proposals. The model must result in:
 - A direct link between the affordable housing targets and the funds collected.
 - Funds being collected, managed and disbursed at the State Government level.
 - The transparent collection and disbursement of funds that is independent of political decisions including regular, publicly-available reporting.
 - Residential development industry representation on the Board of Directors.
 - The fund must not be over encumbered by procedures which disproportionately utilise funds collected for administration of the independent Authority rather than the delivery of outcomes.

Expand Ownership Options for Affordable Housing Stock

4. There must be flexibility to **consider and accommodate private sector models** for the delivery and management of affordable housing beyond registered housing associations or providers. Privately owned affordable housing can be maintained as affordable housing with a Section 173 Agreement or other covenant. We see genuine industry appetite in this regard to deliver, own and/or sell to occupiers affordable housing which meets applicable criteria.

This criteria includes the following requirements:

- The asset is privately owned by investors or retained by developers but managed by registered housing associations or providers.
- The asset is sold at a discount to market to qualified buyers. The sale must meet key criteria such owner income criteria as defined in the Governor in Council Order for affordable housing, and the sale price being aligned with the income bands in this Order. A perpetual control is registered on title only permitting subsequent transfers to owners who meet an equivalent criteria.

- A central database of all new and recycled stock is publicly accessible to qualified buyers.

Build the Capability of Stakeholders

5. Provide **capacity building programs** across all levels of government, residential development and community housing industries, financiers, and the community. This is essential to ensure the success of the system. This is essential to ensure the success of the system, and can be delivered over the same timeline as any new policy measures are introduced.

These programs should aim for a shared understanding of interests of the various parties, and outline the ways in which affordable housing outcomes can be delivered to meet the needs of low and moderate income households (including key workers).

6. The focus for the capacity building should comprise the following:
 - Modes of delivering affordable housing, how each mode is best applied to achieve the specific objectives, an understanding of the level of subsidy that would be required to deliver that mode and to achieve the delivery targets. This is required for all stakeholders involved in the strategic and statutory planning process and delivery process (including VCAT and Planning Panels), and could be in the form of professional development courses addressing the needs and concerns of the various stakeholders, facilitated cross-sector workshops, information kits, and public education campaigns.
 - Building a sound understanding of development economics and investment requirements amongst State and Local Government stakeholders.
 - Methods to determine the value of delivered outcome sought to inform how the Toolkit should be applied in specific circumstances
 - Assistance for Local Governments investigating use of public land for affordable housing outcomes.
 - Partnership facilitation services, connecting industry with registered housing associations or providers or investors willing to participate in the affordable housing delivery system.
 - Education for regulators and service providers in the financial marketplace on the new system ahead of its introduction to ensure that the new system does not impede supply by closing down development funding opportunities.
 - Support for registered housing associations or providers surrounding changes to policy and how that impacts how they manage and operate their portfolio.
 - Community awareness and education campaigns addressing the current stigma surrounding affordable housing, and emphasising the broader community benefit of addressing the affordable housing crisis. It is inefficient, costly (in terms of time and money) and unsustainable for the development community and community housing sector to address these concerns on a case-by-case basis.

UDIA Victoria has an established track record delivering this capacity building programs for affordable housing in partnership with DELWP.

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