

Housing development sector statement regarding inclusionary zoning application to Victoria

12 February 2016

Executive Summary

The Victorian Government is facing a significant challenge to meet the growing need for affordable and diverse housing in Metropolitan Melbourne. The Plan Melbourne Refresh Discussion paper highlights:

Boosting the supply of market-rate housing alone will not improve housing affordability for low-income households in the private rental market who require decent low-cost rental housing. Increasing the supply of social and affordable housing managed by not-for-profit providers is part of the solution.

Victoria's current supply of social and affordable housing does not meet demand with just under 35,000 households on the waiting list. Around 3.5 per cent of our total housing stock is social housing compared with around 4.5 per cent for Australia. Just maintaining Victoria's current proportion in the context of a rapidly growing population means Melbourne needs around another 1,600 social housing homes each year.

(Plan Melbourne Refresh pg. 60)

For the housing development sector to meet housing supply requirements and respond to the demand for affordable housing that is suitable for lower income households, a range of policy, financing and market conditions and support are required.

The introduction of requirements on the private sector to deliver below-market priced housing outcomes on surplus government owned land or privately owned land is expected to be very difficult to deliver without appropriate levels of government investment and support.

We seek a process to formally engage with the Victorian Government on the planning circumstances, objectives and structure of any inclusionary zoning approach that may be applied in Victoria to ensure the policy enables housing supply, and respects the underlying profit motive of the private market and viability requirements of the not-for-profit housing sector.

Position Statement Agreed in Principle

We, the undersigned, agree in principle that:

1. The provision of affordable housing is essential to Melbourne and Victoria's future productivity and liveability. The delivery of affordable housing should be recognised by all levels of government and the private sector as critical social and productive infrastructure.



Common Equity Housing Limited

ABN 97 006 546 658
Level 1, 112 Balmain St
Richmond VIC 3121

Phone: 9208 0800
Fax: 9429 1799
www.cehl.com.au

2. To accommodate future growth and provide well located housing opportunities, Government will ultimately depend on delivery through the private market. Meeting the vast majority of future housing supply requirements is dependent on private capital, which is impacted by a range of broader market forces that need to be understood by policy makers.
3. The role of government is to create a framework and environment that enables all parties to participate, which will facilitate private investment, enable housing supply, and to support households that cannot participate in the market with appropriate and targeted subsidy and support.
4. An overarching housing strategy should be developed that sets out housing requirements, the broad range of inclusionary housing approaches to respond, and details how each level of government will support these measures, including, but not limited to financial or planning supports, in order for the development sector to play their part in delivering affordable housing outcomes. The strategy needs to identify the source of these funds, noting the required returns of the market, and ensure that it is economically viable for the development sector to deliver the desired outcome.
5. Any policy that requires the sector to deliver affordable housing must be underpinned by an understanding of the market context, development feasibility and financing, and the principles of risk-adjusted return and must be clear on how housing cost is expected to be met. Without this foundation any requirement will be a cost burden on the development sector that will have wider affordability impacts and will not result in sufficient or appropriate affordable housing outcomes.
6. Further consideration of the potential application of inclusionary zoning requirements should be undertaken in partnership with the housing development sector, who will ultimately be responsible for delivery, and should include a process to identify and progress a range of measures where government can support the sector to increase its capacity to respond to affordable housing need.

Housing Development Sector Engagement

For the sector to confidently support and engage with any inclusionary zoning approach, at a minimum, the sector requires:

1. An informed discussion with Government on the circumstances where it may be fair and reasonable to place affordable housing requirements on privately owned land; the rationale for determining such conditions; and what an acceptable and viable requirement may be.
2. A clear and transparent process for establishing:
 - i. How affordable housing will be defined, noting the potential to support a range of households experiencing housing stress including key workers;
 - ii. Affordable housing need in different markets and for different housing types; and
 - iii. Who any affordable housing will be targeted to; what tenures will be accommodated; how eligibility will be set; and how households will access the opportunity.
3. Commercial assessment of the cost of delivering any requirement in different markets and for different tenures and housing typologies, and how this compares to the economic

capacity of the target households to purchase or rent or the not-for-profit sector to own and manage.

4. Identification, assessment and determination of the appropriate set of funding and financial supports and planning incentives that will be put in place to meet any gap between the economic rent and the market rent return of the affordable housing.
5. Flexibility for the not-for-profit housing sector to take on greater capacity, partner with the private sector, expand their capacity in order to meet their potential whilst ensuring their long-term viability.
6. Certainty concerning how the affordable housing component of any development will be secured in the long term and how this will be administered, noting the community housing sector is well positioned and experienced to manage resultant housing stock.
7. Flexibility to determine how to best deliver any affordable housing requirements.

Way Forward

We seek a commitment from the Victorian Government that it will work with the housing development sector, including not-for-profit housing developers, to explore, assess and develop options on how an inclusionary zoning approach might be applied in Victoria and how the funding is sourced to support the delivery of the affordable housing on a commercially viable basis. This needs to be done under a wider housing framework that supports a range of inclusionary housing tools.

We propose a sector stakeholder group is established to formalise this relationship and to provide independent analysis and advice to Government on its wider affordable housing policy development.

Yours sincerely, the undersigned:



██████████
Managing Director
Common Equity Housing Ltd



██████████
National Executive
Director
Charter Keck Cramer



██████████
Senior Development
Manager
Development & Opportunity
Funds,
ISPT



██████████
Executive Officer
Community Housing
Federation of Victoria



██████████
Chief Executive Officer
Urban Development Institute
of Australia (Victoria)



██████████
General Manager,
Business Development
Fraser's Property Australia



██████████
President Victoria
Planning Institute Australia



██████████
Chief Executive Officer
Grocon



██████████
Managing Director
Bank Australia



██████████
Head of Business and
Product Development
Community Sector
Banking



██████████
Managing Director
Housing Choices Australia



██████████
Director
MGS Architects



██████████
Chief Executive Officer
Port Phillip Housing
Association



██████████
Managing Director
National Affordable
Housing Consortium

Further information:

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██████████
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