



**9.1 SUBMISSION FOR ENDORSEMENT - MINISTERIAL
ADVISORY COMMITTEE ON PLANNING MECHANISMS FOR
AFFORDABLE HOUSING**

**EXECUTIVE MEMBER: TONY KEENAN, GENERAL MANAGER, COMMUNITY AND
ECONOMIC DEVELOPMENT**

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1. PURPOSE

- 1.1 To consider endorsement of a written submission to the Ministerial Advisory Committee on Affordable Housing Planning Mechanisms.

2. EXECUTIVE SUMMARY

- 2.1 The Minister for Planning has appointed a Ministerial Advisory Committee (MAC) on Planning Mechanisms for Affordable Housing, pursuant to Section 151 of the *Planning and Environment Act 1987*.
- 2.2 Terms of Reference specify the 'purpose' of the MAC is to provide advice to the Minister on possible models and options to facilitate the supply of affordable housing through the Victorian Planning System. The MAC is required to provide its report and recommendations to the Minister by the end of 2019.
- 2.3 The MAC provides the opportunity for Council to advocate for its well-established policy position on the delivery of affordable housing through the planning system, reflected in *In Our Backyard*, Council's affordable housing strategy, and in Council's previous submission to the Fishermans Bend Advisory Committee.
- 2.4 An Interim Submission has been lodged with the MAC, given condensed timeframes for making a submission. Key messages in the submission include:
- The scale of the affordable housing problem is significant, with Port Phillip and the wider inner region of Melbourne becoming particularly unaffordable and an area of concentrated homelessness.
 - There is an estimated shortfall of 4,432 dwellings in the City (2016 figures), and this shortfall is projected to increase to 6,540 dwellings by 2025.
 - The planning system has the potential to deliver a significant scale and diversity of affordable housing products, to address the spectrum of need, including; supported housing for very low incomes, community housing very low/low incomes, and private affordable housing for moderate income/key workers.
 - Planning mechanisms must; minimise market distortion, offer flexibility in the way contributions are provided (units or cash-in-lieu), 'lock in' affordability in perpetuity and ensure quality 'fit for purpose' affordable housing is delivered.
 - The Victorian Planning System can best deliver affordable housing through a combination of voluntary (value sharing) and inclusionary (mandatory) approaches.
 - The introduction of a Mandatory Affordable Housing Mechanism into the Victoria Planning Provisions is needed without delay, as voluntary approaches alone will



not achieve a sufficient scale or diversity of housing. A mandatory mechanism should be phased in to minimise market impacts.

- New delivery models and incentives (both planning and financial) are needed to also increase the 'up-take' of the current system of voluntary housing agreements.
- 2.5 The submission outlines the range of projects and initiatives that Council is currently involved in to progress the delivery of affordable housing through the planning system. These focus on incentives, new delivery models and the development of additional inclusionary / mandatory planning mechanisms.
- 2.6 This report proposes that Council formally consider and endorse the interim submission, with the MAC to be updated on Council's decision.

3. RECOMMENDATION

That Council:

- 3.1 Endorses the interim submission (as provided at Attachment 1) to the Ministerial Advisory Committee on Affordable Housing Planning Mechanisms and advises the MAC accordingly.
- 3.2 Delegates authority to the Chief Executive Officer to make amendments to the document to correct any minor drafting errors that do not materially alter the intent.
- 3.3 Write to the Minister for Planning to:
- 3.3.1 congratulate him on his initiative to establish a Ministerial Advisory Committee to investigate possible models and options to facilitate the supply of affordable housing through the Victorian Planning System;
 - 3.3.2 highlight the need for a mandatory (inclusionary) affordable housing planning mechanism to be introduced and operate in tandem with the current system of voluntary (incentivised) agreements, to ensure the Victorian Planning System helps to address the scale of the affordable housing problem and contribute to the spectrum of housing need (from very low to moderate income households); and
 - 3.3.3 recognise that bold and immediate action is needed to help address the shortage of affordable housing, and that Council looks forward to seeing new planning mechanisms implemented in 2020.

4. KEY POINTS/ISSUES

- 4.1 The Victorian State Government (Minister for Planning) has appointed a Ministerial Advisory Committee (MAC) on Planning Mechanisms for Affordable Housing.
- 4.2 Terms of Reference for the MAC specify its 'purpose' is to provide advice to the Minister on possible models and options to facilitate the supply of affordable housing through the Victorian Planning System.
- 4.3 More specifically the Committee is to:



- advise on the efficacy of current policy settings and mechanisms, and the supply of housing likely to be realised in the context of the scale of need;
 - consider the costs/benefits, opportunities and constraints of any alternative models that would enable planning to contribute to affordable housing, noting that this specifically includes consideration of mandatory requirements to provide affordable housing as part of new developments; and
 - make recommendations for the introduction of additional planning mechanisms.
- 4.4 The MAC comprises seven members who have extensive and varied experience in affordable housing matters, including Ms Jude Munro and Mr Michael Lennon (as joint chair persons) and Dr Marcus Spiller who has previously been engaged by the City to undertake the 2018 review of Council's IOBY affordable housing strategy and to provide expert evidence on behalf of Council at the Fishermans Bend Advisory Committee hearing.
- 4.5 The MAC provides the opportunity to advocate for Council's well-established policy position on the delivery of affordable housing through the planning system, as reflected in its *In Our Backyard* Strategy and in Council's submission to the Fishermans Bend MAC.
- 4.6 Fundamentally, Council's policy articulates the need for a range of planning mechanisms (both voluntary and mandatory) to address the scale of the affordable housing problem and to meet the spectrum of housing need (from very low to moderate income households).
- 4.7 The role of the Victorian Planning System in delivering affordable housing was embedded through amendments to the *Planning and Environment Act 1987* in June 2017, including making it a 'purpose' of the Act, including a definition of affordable housing, and formalising the use of Section 173 Agreements to facilitate the (voluntary) provision of affordable housing as part of development applications.
- 4.8 Since this, approved planning controls for Fishermans Bend have established a target of 6% affordable housing and incentivise the delivery of social housing through development 'uplift' provisions (allowance of additional development density).
- 4.9 To date outcomes have been limited, with 27 units negotiated via development approvals at Fishermans Bend, but no affordable housing delivered. A submission to the MAC provides the opportunity to advocate for stronger planning controls that can deliver affordable housing with certainty.
- 4.10 An interim submission was lodged with the MAC, given condensed timeframes for making a submission, with the opportunity for Council to now consider endorsement.
- 4.11 The submission is structured to demonstrate:
- 4.11.1 The City of Port Phillip's policy position and commitment to growing the supply of affordable housing.
 - 4.11.2 WHY we need more effective planning mechanisms to deliver affordable housing.
 - 4.11.3 WHAT outcomes are important.
 - 4.11.4 HOW Council considers these outcomes can best be delivered.
- 4.12 Key messages in the submission are summarised below:



4.12.1 WHY we need more effective planning mechanisms to deliver affordable housing:

- The scale of the affordable housing problem is significant and deepening. Port Phillip, and the wider inner region of Melbourne, has become particularly unaffordable and is an area of concentrated homelessness.
- There is an estimated shortfall of 4,432 dwellings in the City (2016 figures), and this shortfall is projected to increase to 6,540 dwellings by 2025.
- The need for affordable housing is no longer limited to very low and low income households, but also extends to moderate-income households. Changes to the *Planning and Environment Act 1987* requires the planning system to respond to housing need across this spectrum.
- There is a clear policy mandate for the planning system to do more. Government policy in *Homes for Victorians* and *Plan Melbourne* seek to increase the supply of social and affordable housing and look to strengthening the role of the planning system in doing this.

4.12.2 WHAT outcomes are important:

- The planning system must deliver a significant scale and a diversity of affordable housing products, to address the spectrum of need (including supported housing for very low incomes, community housing very low/low incomes, and private affordable housing for moderate income/key workers).
- Perpetual (or at least long-term) affordability must be 'locked in' for housing delivered. Some models (such as NRAS and rental agreements used in the US) have only maintained affordability for limited periods (10 years). These do not offer a sustainable solution to the affordable housing problem.
- Quality 'fit for purpose' affordable housing must be delivered. It must be relevant to local needs, reflect integrated 'neighbourhood' design and be 'tenure blind' when part of mixed tenure development. Access to 'wrap around' support services (relevant to cohorts being housed) and 'place management' for mixed tenure developments must be provided. Housing delivered must be well located to take advantage of amenities and services such as transport, employment, education and access to social support services.
- Planning mechanisms must minimise market distortion. They must not inflate the cost of housing for purchasers, must achieve a level playing field (particularly across urban renewal areas and strategic development sites), and apply broadly across new development where there is an intensification of land use.
- Flexibility in the way affordable housing contributions are provided is needed. On-site provision of units should be the preferred method of delivery, but with provision for 'cash-in-lieu' contributions where direct provision is not appropriate.



4.12.3 HOW Council considers these outcomes can best be delivered:

- The Victorian Planning System can best deliver affordable housing through a combination of voluntary (value sharing) and inclusionary (mandatory) approaches:
 - Value sharing / uplift mechanisms, are where additional development yield above a nominated level is 'paid for' through the delivery of social and affordable housing e.g. density bonus systems. These 'opt-in' models are available under the current system of Voluntary Housing Agreements.
 - Inclusionary requirements, are mandated requirements to include a specified proportion of social and affordable housing within a development or pay a cash-in-lieu contribution to enable housing to be delivered elsewhere in the area.
- The introduction of a Mandatory Affordable Housing Mechanism into the Victoria Planning Provisions is needed without delay.
 - Mandatory requirements (i.e. inclusionary zoning) are necessary for the planning system to contribute sufficiently to the scale of affordable housing needed, and the only means to establish certainty over the delivery of social and affordable housing.
 - There is potential to 'phase in' a mandatory affordable housing requirement, starting at a low percentage that is increased over-time and then indexed, to reduce market impact through enabling costs to be factored into land value at purchase.
- New approaches are needed to increase the 'up-take' of voluntary housing agreements including:
 - Identifying further 'incentives' (both planning and financial) that both increase the up-take of VHA's and ensure that voluntary agreements do not deliver housing for moderate income households only.
 - Broadening the application of the 'value sharing' approach, including to areas where there is already discretion for additional height or density. The allowance of additional development yield (subject to meeting design objectives) could be based on an expectation of 'value sharing' through an affordable housing contribution.
- 'Enabling' structures need to be put in place, including:
 - Governance arrangements that can manage housing contributions at scale (with provision for managing both unit contributions and cash-in-lieu), operate across regions (e.g. inner region) and ensure on-going leveraging of contributions to further expand the supply of affordable housing.
 - Establishment of a centre for affordable housing (centralised housing expertise) that can harness and coordinate the significant effort and investment being made across local and



state governments. This could have a role to oversee implementation of the recommendations arising from the MAC.

- A 'holistic' cross government & cross sector approach is needed:
 - The planning system can and should only be part of the solution. The State and Commonwealth Governments have a primary role to play in the funding (and financing) for social housing and in fiscal policy which impacts on housing affordability.
 - Planning mechanisms that rely on investment in private affordable housing will be most effective if supported by complimentary financial incentives such as:
 - tax off-sets e.g. Low-Income Housing Tax Credit (USA)
 - rental subsidies that increase the viability of private affordable rental.
 - A National Housing Plan is required to create a strategic framework to address the affordable housing crisis – involving all levels of government and cross sectors (government, private, community/NFP and philanthropic).

5. CONSULTATION AND STAKEHOLDERS

- 5.1 Given the short timeframe for Council to prepare a submission, there has not been an opportunity to engage with the community directly. The submission is however, based on Council's established affordable housing policy position which has previously undergone community consultation via:
 - 5.1.1 Council's *In Our Backyard* affordable housing strategy which underwent extensive community consultation prior to adoption in April 2016.
 - 5.1.2 Council's submission to the Fishermans Bend Framework and associated Planning Controls (Amendment GC81), with engagement and strong support through the Fishermans Bend Community Forum.
- 5.2 The interim submission was presented to Council's Affordable Housing Forum at its 24 October 2019 meeting.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 There are no legal issues raised in making a submission.
- 6.2 As the City of Port Phillip is regarded a local government leader on affordable housing matters, it would be expected to advocate through the MAC for stronger planning controls to increase delivery of affordable housing. Not making a submission would present a reputations risk.

7. FINANCIAL IMPACT

- 7.1 There is no cost to making a submission, excepting officer time.

8. ENVIRONMENTAL IMPACT

- 8.1 There is no environmental impact of making a submission to the MAC.



- 8.2 Council encourages social and affordable housing developments to incorporate sustainable design features, to minimise on-going living costs for occupying households who are typically on very low and low incomes.

9. COMMUNITY IMPACT

- 9.1 The provision of affordable housing in Port Phillip will support a diverse and inclusive community.
- 9.2 The provision of affordable housing, combined with the provision of appropriate support services, is the primary intervention to address increasing levels of homelessness.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 Through direct Council investment, establishing strategic partnerships and pursuing new funding streams, the *Council Plan 2017 – 27* aims for the delivery of diverse and innovative new affordable housing projects and a reduction in the risk of homelessness (Strategic Direction 1.2).

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 An interim submission was forwarded to the MAC, to ensure it was available for consideration at its October meeting.
- 11.1.2 Subject to Council endorsement, the MAC will be advised immediately that the submission is final (highlighting any changes that Council may request).

11.2 COMMUNICATION

- 11.2.1 A copy of the endorsed submission will be made available on Council's website.
- 11.2.2 Council's Affordable Housing Forum, which includes representatives of the three local housing organisations, will be informed of Council's decision and provided a copy of the final submission.

12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

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ATTACHMENTS 1. City of Port Phillip Submission to Ministerial Advisory Committee on Planning Mechanisms for Affordable Housing (interim submission for endorsement)