



## AFFORDABLE HOUSING CONTRIBUTIONS IN THE CITY OF MELBOURNE

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# TABLE OF CONTENTS

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|                                                                                        |           |
|----------------------------------------------------------------------------------------|-----------|
| <b>EXECUTIVE SUMMARY</b>                                                               | <b>II</b> |
| <b>1. INTRODUCTION</b>                                                                 | <b>1</b>  |
| <b>2. POLICY CONTEXT</b>                                                               | <b>2</b>  |
| 2.1 State and local policy context                                                     | 2         |
| 2.1 Existing Planning Scheme provisions within the City of Melbourne                   | 4         |
| 2.2 Practice elsewhere in Victoria                                                     | 5         |
| 2.3 Practice in New South Wales                                                        | 7         |
| <b>3. PLANNING PRINCIPLES</b>                                                          | <b>8</b>  |
| 3.1 Social and affordable housing as essential infrastructure                          | 8         |
| 3.2 How much social and affordable housing infrastructure is required in Macaulay?     | 8         |
| 3.3 What development should help provide social and affordable housing infrastructure? | 10        |
| <b>4. CONTRIBUTION RATE</b>                                                            | <b>12</b> |
| 4.1 Estimating inclusionary requirements and cash in lieu rates                        | 12        |
| 4.2 Targeted application                                                               | 14        |
| 4.3 Differentiated contribution rates across land uses                                 | 14        |
| 4.4 Application in conjunction with value sharing                                      | 15        |
| <b>5. IMPLEMENTATION POST PANDEMIC</b>                                                 | <b>17</b> |
| <b>6. CONCLUSION</b>                                                                   | <b>20</b> |
| <b>APPENDIX: REVIEW OF COUNCIL PRACTICES</b>                                           | <b>22</b> |

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# EXECUTIVE SUMMARY

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Social and affordable housing is essential infrastructure for a successful and sustainable City of Melbourne. It should not be regarded as an optional extra or 'nice to have' in setting the planning framework for this area.

It follows that the City of Melbourne requires the same level/quantum of social housing infrastructure as the wider community. This has been established at approximately 14% of the total housing stock.

As has occurred recently in other strategic precincts around Victoria, including Fishermans Bend, the delivery of social and affordable housing infrastructure for the City of Melbourne should be hard wired into statutory planning provisions rather than left to aspirational statements and/or uncertain negotiations between development proponents and planning authorities.

The provision of adequate social and affordable housing infrastructure fulfills three functions in sustainable development – poverty alleviation, better labour markets and local economies and better place making. Responsibility for these outcomes is distributed across the Commonwealth Government, State Government and the local development sector, respectively.

The local development sector can reasonably be expected to carry one third of the task of ensuring adequate social and affordable housing infrastructure in Melbourne's neighbourhoods. That is, successive developments should incorporate, or pay for, one third of the social and affordable housing units required in precincts such as Macaulay over the planning period. Using the moderate forecasts, this amounts to  $1,289/3 = 425$  dwellings.

When this task is spread over all anticipated land use in Macaulay (commercial, retail, institutional and residential), all development would be required to include, or pay for, social and affordable housing at the rate of 3.83% of all marketed floorspace.

This general obligation to make a fair and proportionate contribution to social and affordable housing infrastructure could be supplemented by a value sharing regime which can be used to provide *additional* social and affordable housing or other community benefits. This applies in the Fishermans Bend Framework Plan and Planning Scheme provisions.

All these provisions can be incorporated into the Macaulay statutory planning provisions and elsewhere in the City of Melbourne using models which have been successfully applied elsewhere.

# 1. INTRODUCTION

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The City of Melbourne has adopted a Housing Strategy which includes in-principle support for social and affordable housing contributions secured through the rezoning and development approval process. While the Strategy establishes the broad parameters of an affordable housing contributions policy, a number of details about scope and scale, as well as the approach to implementation, remain unresolved.

There is some urgency to settle these questions, particularly as planning for major renewal areas such as Macaulay are now at an advanced stage.

Against this background, Council sought advice from SGS Economics & Planning Pty Ltd (SGS) on three key questions:

1. How should affordable housing contributions be applied across different types of projects and land uses?
2. What should be an appropriate contribution rate or rates for Macaulay?
3. How should implementation of the contributions proceed, bearing in mind Council's post COVID recovery agenda?

This report answers these questions over the following structure:

- Section 2 provides the policy background and context for this project,
- Section 3 describes planning principles to inform the setting of affordable housing contributions,
- Section 4 explains the process for estimating a fair contribution rate,
- Section 5 briefly summarises the impacts of COVID-19 and its implications for affordable housing contributions, and
- Section 6 draws together the findings into a conclusion.

## 2. POLICY CONTEXT

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### 2.1 State and local policy context

#### Planning and Environment Act 1987

The Planning and Environment Act [Vic.] was amended in 2018 to include specific sections relating to housing affordability. These sections contain:

- A new objective under section 16, “to facilitate the provision of affordable housing in Victoria”.
- Changes that clarify that Responsible Authorities can enter into an agreement with landowners and others under section 173 of the Act, for the provision of affordable housing as part of a development.
- A definition of affordable housing at section 3AA of the Act:
  - (1) Affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following -*
  - (a) very low income households*
  - (b) low income households*
  - (c) moderate income households*

Based on current legislation and as set out in the Planning Practice Note 3AA (2), the Department of Environment, Land, Water and Planning (DELWP) currently seeks the use of a Section 173 Agreement as the preferred method of securing affordable housing.

#### The Victoria Planning Provisions (VPPs)

Clause 16.01-4S of the Planning Policy Framework (PPF) sets out the state policy for Housing Affordability.

The objective is:

*To deliver more affordable housing closer to jobs, transport and services.*

The strategies include improving housing affordability by:

- *Encouraging a significant proportion of new development to be affordable for households on very low to moderate incomes.*
- *Facilitating a mix of private, affordable and social housing in suburbs, activity centres and urban renewal precincts.*
- *Ensuring the redevelopment and renewal of public housing stock better meets community needs.*

#### Local Planning Policies

The Melbourne Planning Scheme includes Local Planning Policy Statements in support of the delivery of social housing: specifically, Clause 21.07-1 includes the following objective:

- *To support a range of housing tenures, types and options to meet the diversity of housing needs.*

The strategies are:

- *Support the provision of affordable, safe and well designed and managed student housing in locations with good access to public transport, services and tertiary education facilities.*

- *Support the provision of well-designed and managed affordable housing, social housing, crisis accommodation and rooming houses.*

The Fisherman's Bend Urban Renewal Area policy at Clause 22.27 also outlines requirements for the provision of affordable housing, supporting:

- The provision of at least six percent of dwellings as Affordable housing, with additional social housing dwellings provided as part of a Social housing uplift scheme.
- The encouragement of Affordable housing to be provided within a range of built form typologies.

### City of Melbourne (2020) Affordable Housing Strategy 2020-2030

This strategy aims to help the City address the affordable housing crisis by laying out directions to ensure the provision of affordable and safe housing options for people working in a range of jobs and professions. The document forecasts that demand for social and affordable housing will almost triple to 27,100 homes by 2036.

It presents five priorities (p.6) to meet its goal of increasing the supply of appropriate, accessible and affordable rental housing in the municipality of Melbourne:

- Deliver more affordable rental housing on City of Melbourne-owned land.
- Advocate for systemic change and new and ongoing investment for better affordable housing outcomes.
- Facilitate more affordable rental housing through the planning system.
- Partner with governments, industry, peak bodies and the community to increase affordable rental housing.
- Respond to the COVID-19 crisis with affordable rental housing.

Some relevant actions (p.7) from this strategy are:

- Advocate to the Victorian Government for a review of Clause 22.03 Floor area uplift and delivery of public benefits in the Melbourne Planning Scheme and 'How to Calculate Floor Area Uplifts and Public Benefits, Department of Environment, Land, Water and Planning.'
- Advocate for the private sector to deliver innovative and diverse affordable housing options.
- Develop a corporate policy on affordable housing as it relates to the development of new dwellings on private and public land.
- Investigate a special purpose entity to manage affordable housing contributions, in partnership with other councils and the Victorian Government.

### City of Melbourne (2012) Arden-Macaulay Structure Plan

This plan seeks to outline a staged and coordinated transition for the rejuvenation of Arden-Macaulay, from a primarily industrial and underutilised area to a sustainable living and working environment.

A key urban renewal principle is to: *Develop liveable dwellings that house a diverse and inclusive community.* This seeks to ensure that new development adequately accommodates all members of the community in high quality and affordable housing (p.6).

Key objectives (p.21) relating to this principle are to:

- Accommodate population growth in a diverse mix of well-designed housing that is integrated into mixed use areas and supported by public transport and community services.
- Encourage the development of a diverse mix of well-designed accessible housing, including 20% affordable housing options.

Key actions (p.116) identified under this strategy are to:

- Investigate appropriate mechanisms to deliver 20% affordable housing.

- Identify the opportunity for the City of Melbourne to act as a broker between developers and registered housing associations in order to facilitate this.
- Develop a housing policy and work with the State and Federal Government, developers, institutions and community housing providers to support the delivery of affordable, accessible, adaptable and diverse housing.

### Macaulay Structure Plan refresh (currently underway)

The Macaulay Structure Plan refresh responds to the Minister for Planning's request to review the interim planning controls for Macaulay. It also responds to changes in the planning context that affect the area, in particular, that affordable housing needs are better understood through council's *Affordable Housing Strategy 2020-2030*.

In response to these changes, a discussion paper on the refreshed structure plan was released for public consultation in November 2019. Following stakeholder feedback, the Macaulay Draft Structure Plan Refresh was released for consultation in July 2020.

The refreshed Structure Plan is now at the finalisation stage. This advice will inform the preparation of affordable housing contribution rates under the plan.

## 2.1 Existing Planning Scheme provisions within the City of Melbourne

There are several mechanisms already in place within the City of Melbourne to promote the inclusion of housing that is affordable. This can be seen within the areas of Fishermans Bend, the Central City and West Melbourne. Provisions for the latter have not yet been approved by the Minister and Parliament, although they received a favourable review by the Panel. Relevant provisions are summarised in Table 1.

TABLE 1: SUMMARY OF EXISTING LOCAL AFFORDABLE HOUSING POLICIES WITHIN THE CITY OF MELBOURNE

| Area            | Application                                                            | Mechanism                                                                                                                          | Implementation                                                                                                                                                                                                                                                                                                           |
|-----------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| West Melbourne  | Land located in the Flagstaff, Spencer and Station Precincts           | Amendment C309 (now C385), to be included within Schedule 6 to Clause 37.01 Special Use Zone                                       | Requires that one in 16 dwellings (at least 6%) should be affordable housing, unless otherwise agreed to by the Responsible Authority.                                                                                                                                                                                   |
| Fishermans Bend | Fishermans Bend Urban Renewal Area (across Port Phillip and Melbourne) | Local policy at Clause 21.13-3 Fishermans Bend Urban Renewal Area<br><br>Floor area uplift scheme - Clause 22.27-4.3 and elsewhere | Development within the Fisherman's Bend Urban Renewal Area should seek to achieve an affordable housing target of 6%.<br><br>Development exceeding the dwelling density ratio nominated for the particular precinct in question must provide social housing at the rate of one unit for every 8 additional market units. |
| Central City    | Hoddle Grid and Southbank                                              | Amendment C270, local policy at Clause 22.03                                                                                       | Floor Area Uplift above the base floor area ratio of 18:1 requires the delivery of public benefit equivalent to 10% of the Gross Realisation Value of the additional floorspace.<br><br>Affordable housing is one in a number of public benefit categories accepted under the scheme.                                    |

Source: Planning Scheme and various Council documents

## 2.2 Practice elsewhere in Victoria

A review of affordable housing practice in comparable local government areas highlights the preference of Victorian municipalities to enact a voluntary agreement between developers, landowners and Council through section 173 of the Planning & Environment Act. This is typically achieved through planning scheme Schedules to relevant zones and overlays, such as the Comprehensive Development Zone or Development Plan Overlay.

Instead of a broad application of affordable housing requirements across entire local government areas, this review shows that affordable housing contributions are enacted on a localised, place-specific basis. The requirements also vary both within and across the local government areas, ranging from the provision of 5% to 20% of total dwellings as affordable housing.

Only Whittlesea and Port Phillip specified requirements for social housing dwellings, with the remaining councils referring solely to affordable housing contributions.

The specific policy mechanisms for each local council are outlined in Table 2 below.

TABLE 2: SUMMARY OF EXISTING LOCAL AFFORDABLE HOUSING POLICIES ACROSS VICTORIA

| Council             | Application                                                     | Mechanism                                                    | Implementation                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------|-----------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| City of Hobsons Bay | Former Port Phillip Woollen Mill Site in Williamstown           | Local Policy at Clause 21.03-2 Strategic Redevelopment Areas | Policy guidance to use the Schedule to Clause 52.01 to specify that a cash contribution of 5% of the site value is required as part of subdivision                                                                                                                                                                                                                                        |
|                     | All land covered by Altona North Comprehensive Development Plan | Schedule 2 to Clause 37.02 Comprehensive Development Zone    | The subdivision requirements state that landowners must enter into an agreement with Council under s173 of the Planning and Environment Act 1987 and must provide: <i>a number of affordable dwellings equal to 5% of the total dwellings that are constructed on the land rounded down to the nearest whole number, or any lesser number of dwellings as agreed between the parties.</i> |
| City of Glen Eira   | Land covered by Comprehensive Development Zone                  | Schedule 2 to Comprehensive Development Zone                 | Landowners are required to enter into an agreement under section 173 of the <i>Planning &amp; Environment Act 1987</i> to provide 10% of the number of dwellings beyond 3000 to be provided as affordable housing.                                                                                                                                                                        |
| City of Whittlesea  | Greenfield developments                                         | Local policy at Clause 16.01-2L                              | Structure plans for established or greenfield developments may include 5% social housing and 10% affordable housing.<br><br>Seeks to develop 500 social housing dwellings in areas with public transport.                                                                                                                                                                                 |
| City of Yarra       | 64 Alexandra Parade, Clifton Hill                               | Schedule 19 to Clause 43.02 DDO                              | Provide up to 10% of dwellings as affordable housing.                                                                                                                                                                                                                                                                                                                                     |
|                     | Channel Nine Site, Bendigo St, East Richmond                    | Schedule 5 to Clause 43.04 DPO                               | Provide 5% of the total number of apartment dwellings to be developed as affordable housing.                                                                                                                                                                                                                                                                                              |

| Council               | Application                                                             | Mechanism                                                 | Implementation                                                                                                                                                                                                                                                                                                         |
|-----------------------|-------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       | Amcor Site, Heidelberg Rd, Alphington                                   | Schedule 11 to Clause 43.04 DPO                           | Provide 5% of total dwellings for the purpose of affordable housing development with an accredited housing association under a s173 agreement.                                                                                                                                                                         |
|                       | 81-96 Burnley St & 26-34 Doonside St, Richmond                          | Schedule 15 to Clause 43.04 DPO                           | Provide 10% of total dwellings as affordable housing, entering a s173 agreement.                                                                                                                                                                                                                                       |
|                       | Former Fitzroy Gasworks                                                 | Schedule 16 to Clause 43.04 DPO                           | Provide up to 20% of total dwellings as affordable housing.                                                                                                                                                                                                                                                            |
| City of Maribyrnong   | Bradmill Precinct West Yarraville                                       | Schedule 7 to Clause 43.04 DPO                            | Development Plan requires supporting Affordable Housing Report detailing how it will provide 5% of total dwellings as affordable housing.                                                                                                                                                                              |
|                       | 2A Beachley St Braybrook                                                | Schedule 13 to Clause 43.04 DPO                           |                                                                                                                                                                                                                                                                                                                        |
|                       | Ryco Precinct Footscray                                                 | Schedule 16 to Clause 43.04 DPO                           |                                                                                                                                                                                                                                                                                                                        |
| City of Port Phillip  | Fishermans Bend Urban Renewal Area                                      | Local policy at Clause 22.15                              | All residential developments should meet an affordable housing target of 6%.<br><br>Residential land uses must not exceed the specified dwelling density unless a s173 agreement is entered into, requiring at least one social housing dwelling provided for every eight dwellings beyond the specified site density. |
|                       | Bay Street Activity Centre                                              | Local policy at Clause 22.14                              | Recommends that new development provides at least 10% total dwellings as affordable housing.                                                                                                                                                                                                                           |
| City of Banyule       | North-West corner of Upper Heidelberg Rd and Forster St, Ivanhoe        | Schedule 7 to Clause 43.04 DPO                            | Development Plan requires supporting Housing Diversity and Adaptability Report to provide up to 10% of dwellings as affordable housing.                                                                                                                                                                                |
| City of Kingston      | Former Highett Gas Works Land                                           | Schedule 7 to 43.04 DPO                                   | Development Plan requires the provision of up to 10% of dwellings as affordable housing.                                                                                                                                                                                                                               |
| City of Moonee Valley | Land between Fisher Parade and the Flemington Racecourse rail spur line | Schedule 1 to Clause 37.02 Comprehensive Development Zone | 5% of all dwellings (including 15 dwellings to be held in Trust for low income staff at the Racecourse) to be affordable housing.                                                                                                                                                                                      |
|                       | Moonee Ponds Activity Zone                                              | Schedule 1 to Clause 37.08 Activity Centre Zone           | 5% of all dwellings to be developed as affordable housing, to the satisfaction of the responsible authority.                                                                                                                                                                                                           |

Source: Various Council documents

## 2.3 Practice in New South Wales

Within the City of Sydney, there are several mechanisms for affordable housing contributions in place through the Local Environmental Plans (LEPs). These include a range of residential and non-residential contributions through either floor area provision, or monetary requirements, as outlined in Table 3.

TABLE 3: SUMMARY OF EXISTING LOCAL AFFORDABLE HOUSING POLICIES ACROSS NSW

| Council                                       | Application                                                                                                                                  | Mechanism                                                             | Implementation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Green Square                                  | All development within Green Square                                                                                                          | Local policy at Clause 7.13 of Sydney LEP, 2012 and Clause 7.13(3)(b) | <p>For residential development there is an on-site requirement for 3% of the total residential floor area to be provided as affordable housing, or a monetary requirement of \$228.58 per square metre of the total residential floor area.</p> <p>For non-residential development there is an on-site requirement for 1% of the total non-residential floor area to be provided as affordable housing, or a monetary requirement for \$76.16 per square metre of the total non-residential floor area.</p>     |
| Pymont (City-West Affordable Housing Program) | Development within the Ultimo-Pymont area                                                                                                    | Local policy within Sydney LEP, 2005                                  | <p>For residential development, there is an on-site requirement for 0.8% of the total residential floor area to be provided as affordable housing, or a monetary requirement of \$32.13 per square metre of the total residential floor area.</p> <p>For non-residential development, there is an on-site requirement for 1.1% of the total non-residential floor area to be provided as affordable housing, or a monetary requirement of \$46.16 per square metre of the total non-residential floor area.</p> |
| City-wide                                     | Land in Central City, in the Southern Employment Lands, in Green Square (except on land in the Green Square Town Centre), and residual land. | Local policy within Sydney LEPs.                                      | <p>In Central Sydney and on residual land, the residential contribution rate is: 1.5% from 1 June 2020 to 31 May 2022, and 3% from 1 June 2022 onwards.</p> <p>The non-residential contribution rate is: 0.5% from 1 June 2020 to 31 May 2022, and 3% from 1 June 2022 onwards.</p>                                                                                                                                                                                                                             |

Source: Various Council documents

# 3. PLANNING PRINCIPLES

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## 3.1 Social and affordable housing as essential infrastructure

Social and affordable housing is essential infrastructure for a successful and sustainable City of Melbourne, including growth areas such as the Macaulay precinct. It should not be regarded as an optional extra or ‘nice to have’ in setting the planning framework for this area.

The provision of social and affordable housing infrastructure delivers three types of benefit for the community:

- alleviating or averting poverty
- improving the operation of labour markets by ensuring adequate accommodation for essential workers and skilled staff for key industries, and
- creating better places, recognising that places of diversity and inclusion are highly valued and sanctioned in policy.

That social and affordable housing is essential infrastructure is evidenced in:

- Analysis and policy advice underpinning Infrastructure Victoria’s Draft 20 Year Infrastructure Strategy<sup>1</sup>.
- State Government policies on comprehensive development of other precincts similar to Macaulay, for example, Fishermans Bend. The Fishermans Bend Framework states *“Affordable housing is essential to Victoria’s productivity, liveability and social equality. Providing a range of housing options to a diverse cross section of Victorians will be important in Fishermans Bend”*.

As essential infrastructure for the formation of successful communities, the town planning approach to the provision of social and affordable housing should be like that applied in the provision of transport networks, water cycle management, open space systems, hospitals and clinics, schools and other community facilities.

Provision planning should be geared to the inter-generational needs of the place, as distinct from the presenting characteristics of the current generation of residents. Just like roads and parks and so on, the social and affordable housing infrastructure which is provided to support a healthy community will have to serve that area for many years to come, well beyond the tenure of the current or ‘first wave’ community.

## 3.2 How much social and affordable housing infrastructure is required in Macaulay?

It follows that the planned Macaulay community will require the same pro-rata infrastructure in terms of social and affordable housing as any other community in the State. That is, the long term rate of provision in the City should be at least that of the rest of the State.<sup>2 3</sup>

SGS has assessed that the current need for affordable rental housing in Victoria, inclusive of social housing as defined in the Planning & Environment Act, amounts to 14% of all households (see Table 4).

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<sup>1</sup> <https://www.infrastructurevictoria.com.au/wp-content/uploads/2020/12/Victorias-Draft-30-Year-Infrastructure-Strategy-Volume-1-1.pdf> (see pages 191, 232, 239)

<sup>2</sup> In the *City of Melbourne Housing Needs Analysis* (2019), SGS showed that after adjusting for household composition and access to employment, there is a case for the municipality to provide affordable housing at a rate up to 21.5% of all dwellings. This analysis takes a more conservative view, by distributing the need equality across the State.

<sup>3</sup> This approach is akin to adopting a universal provisioning standard for infrastructure, such as open space at 30 sqm per capita.

Assuming that rents and incomes will trend in unison for the foreseeable future, we can take 14% of all housing as a reasonable measure of the requirement for social and affordable housing across all communities in Victoria, including that planned for Macaulay.

TABLE 4: SOCIAL & AFFORDABLE HOUSING NEED - VICTORIA, 2016

| Household category                                                           | 2016 Census count |
|------------------------------------------------------------------------------|-------------------|
| (A) Homeless                                                                 | 24,818            |
| (B) In social housing                                                        | 71,358            |
| (C) In severe rental stress                                                  | 137,484           |
| (D) In moderate rental stress                                                | 116,338           |
| (E) Total households experiencing rental stress plus those in social housing | 349,998           |
| (F) Total households                                                         | 2,416,554         |
| (G) Percentage of total households requiring social housing (E)/(F)          | 14%               |

Source: SGS Economics & Planning, based on ABS Census 2016 and VIF 2016

Given that social and affordable housing is a non-discretionary infrastructure requirement for a healthy community in Macaulay, the planning framework for the area should establish clear expectations and mechanisms by which the development approval system will play its part in delivering this infrastructure.

As has occurred recently in other strategic precincts around Victoria, including Fishermans Bend, the delivery of social and affordable housing infrastructure for Macaulay should be hard-wired into statutory planning provisions rather than left to aspirational statements and/or uncertain negotiations between development proponents and planning authorities.

The appropriate role of the development approval system can be derived from an analysis of the benefits generated through adequate provision of social and affordable housing infrastructure. These are three-fold<sup>4</sup>:

1. **Creating better places** on the planning premise that inclusive diversity is in and of itself a good thing,
2. Securing a good **local pool of skills**, including those required for low and moderate income jobs in retail, personal services, transport and health care, and
3. **Mitigating poverty**.

In our view, these 3 benefits of social and affordable housing provision are of equal weight<sup>5</sup>. Neither the research literature nor government policy statements support the ranking of these benefits in terms of importance to the community. SGS evidence supporting an equal weighting of each benefit has been put to various planning panels including the Fishermans Bend Standing Advisory Committee in a number of cases without attracting significant challenge.

It is true that in a situation where social housing infrastructure provision has been chronically underfunded, a triaging approach would see households in the most desperate need housed first; that is, mitigating poverty is necessarily prioritised. However, it would be inappropriate

<sup>4</sup> This three-fold segmentation of the benefits provided by social and affordable housing infrastructure stems from SGS's own research. SGS has incorporated this construct into expert evidence provided at Planning Panels and in various policy submissions and studies, in all cases without attracting substantive critique.

<sup>5</sup> Likewise, the proposition that the three functions of social and affordable housing infrastructure have equal weight stems from SGS's review of the policy and research literature over 3 decades.

to bake in this triaging as part of the forward planning of social housing infrastructure provision in Macaulay and elsewhere. Planning for this infrastructure should address demonstrated community requirements as expressed in a suitable provisioning standard.

As the Commonwealth Government is responsible for social security, the mitigating poverty benefit is squarely in its bailiwick. Applying equal weights to the three objectives, this implies that the Commonwealth should, in an ideal world, fund one third of the social housing infrastructure required for healthy, sustainable communities, including Macaulay.

Similarly, the State Government has primary responsibility for spatial labour markets. The second benefit – maintaining local skills supply – rests with the State. This implies that it should also meet one third of the cost of providing adequate social housing infrastructure in communities such as that planned for Macaulay.

Responsibility for the third benefit of adequate social housing infrastructure provision rests with developers and the planning system; that is, those involved in creating better places. Planners regulate the development of place to ensure quality outcomes. Developers create places by building in line with local planning regulations. This implies that planning regulation and development could be expected to meet one third of the cost of supplying this infrastructure.

The passage above aligns responsibility for each major benefit with the Federal Government, State Government and the Local Government planning systems and developers. However, there is some overlap in responsibilities. For example, State Government assists poverty alleviation through the provision of education, health and social services. Likewise, Local Government and the development sector assist by developing diverse housing which enables lower income residents to participate in the local economy. These efforts also contribute to securing a good local pool of skills. This overlap in responsibilities further reinforces the equal weighting of contributions to affordable housing provision.

It is reasonable, therefore, that the development process should generate the resources to deliver 4.7% of all housing in Macaulay as social housing. The 4.7% represents one third of the required stock of this infrastructure in the central city (14% / 3).

Based on the population figures provided by the City of Melbourne for Macaulay from their capacity model (population of 18,232), that community would require 1,289 social housing units. One third of these developments, or 425 units, could reasonably be expected to be delivered via the planning and development approval process.

Given the starting point to calculate this contribution rate is the level of need for affordable housing (as indicated by proportion of households in housing stress), the appropriate contribution rate could change in future if the level of need across the State, and therefore the universal provisioning standard, should increase or decrease. This could come about if rents rise significantly above household incomes or vice versa. To this end, the contribution rate should be subject to periodic review, in line with good practice across government policies.

### 3.3 What development should help provide social and affordable housing infrastructure?

Conceptualising social housing as essential infrastructure to support a healthy, functional and cohesive community delivering the three benefits noted above implies that *all* proponents who will develop Macaulay over the next 30 years should contribute to the building of that infrastructure.

By definition, and as evidenced by the three benefits identified above, this infrastructure serves the needs of the *whole* community including the residents, workers and visitors. Moreover, it serves the needs of the community whether these residents, workers and visitors are occupying the products of small scale or large scale developments.

Thus, the task of (part) funding the provision of social and affordable housing infrastructure through the development approval process cannot be reasonably confined to the proponents of residential buildings. It is a responsibility that rests with the full spectrum of proponents regardless of use and project size.

## 4. CONTRIBUTION RATE

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### 4.1 Estimating inclusionary requirements and cash in lieu rates

The principles of three-way allocation of funding responsibility for social and affordable housing infrastructure and universal applicability discussed in Section 2 support calculation of a contribution rate for any community in the City of Melbourne, whether the area in question is largely built up and is expecting ad hoc redevelopment or whether it is a comprehensively planned urban renewal district or something in between. The calculation revolves around apportioning one third of the cost of ensuring that 14% of *future* housing additions will be permanent social and affordable housing to anticipated development.

Table 5 illustrates this calculation in respect of the Macaulay renewal area. It sets out what each successive unit of development under the Draft Structure Plan should provide by way of meeting the target for social housing funded via the planning process.

Based on this analysis, planning for Macaulay should include statutory provisions for an affordable housing requirement applicable to all development in the Precinct. This requirement would see proponents entering into enforceable agreements as a condition of development approval to:

- Include social housing units in the project at the rate of 0.038 sq m (GFA) for each square metre of commercially saleable or leasable floorspace (GFA) in the building(s) in question, with these social housing units being delivered at zero consideration to registered community housing provider, or
- Provide a cash-in-lieu payment into an appropriate Affordable Housing Trust at the rate of \$335 (indexed annually to movements in unit dwelling prices in the host suburb) for each square metre of saleable or leasable floorspace, or
- A combination of these two to reflect the value of partial dwellings indicated by the formula.

By way of example, a proposed apartment building of 120 apartments with an average gross floor area of 70 sqm would be required to provide or pay for 4.56 social housing units<sup>6</sup>, assuming social housing units have the same floor area. This could be provided as 4 units transferred to a registered not for profit provider at zero consideration plus \$352,800 in cash to be paid into an appropriate Affordable Housing Trust. This \$352,800 represents 56% of the market acquisition price of a social housing unit, assumed here to be \$630,000.<sup>7</sup>

This general obligation to make a fair and proportionate contribution to social and affordable housing infrastructure in Macaulay could be supplemented by a value sharing regime which can be used to provide *additional* social and affordable housing or other community benefits. As noted, this two-part approach to affordable housing is applied in the statutory planning provisions for Fishermans Bend. We discuss this further below.

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<sup>6</sup> This is calculated as: 120 dwellings x 3.83% of floorspace = 4.60 dwellings.

<sup>7</sup> Another way of calculating this is: 80% of 70 sqm = 56 sqm, and 56 sqm x \$9000/sqm procurement cost = \$504,000.

TABLE 5: ESTIMATION OF SOCIAL HOUSING REQUIREMENT PER UNIT OF DEVELOPMENT – MACAULAY

| <u>STEP 1: CALCULATE EXPECTED MARKET HOUSING AND SOCIAL HOUSING FLOORSPACE<sup>8</sup></u>     |             |           |
|------------------------------------------------------------------------------------------------|-------------|-----------|
| Population of Macaulay 2051                                                                    | A =         | 18,232    |
| Assumed persons per dwelling                                                                   | B =         | 1.98      |
| Assumed total dwellings in Macaulay                                                            | A / B = C = | 9,208     |
| Percentage of total Macaulay housing stock required as social housing infrastructure           | D =         | 14%       |
| Required social housing stock in Macaulay at horizon year 2051                                 | C x D = E = | 1,289     |
| Proportion of social housing infrastructure task attributable to planning and development      | F =         | 33%       |
| Social housing provision required from planning/development by horizon year                    | E x F = G = | 425       |
| Total market dwellings at horizon year 2051                                                    | C – E = H = | 7,919     |
| Average floor area of social housing and market housing units (sqm)                            | I =         | 72        |
| Total social housing floorspace required from planning and development in Macaulay             | G x I = J = | 30,630    |
| Total floor area of market housing added to Macaulay 2021-51 (sqm)                             | H x I = K = | 570,164   |
| <u>STEP 2: CALCULATE EXPECTED EMPLOYMENT FLOORSPACE</u>                                        |             |           |
| Jobs in Macaulay 2051                                                                          | L =         | 10,067    |
| Assumed floorspace per job (sq. m)                                                             | M =         | 23        |
| Total floor area of additional employment floorspace added to Macaulay 2021-51 (sqm)           | L x M = N = | 229,938   |
| <u>STEP 3: CALCULATE CONTRIBUTION RATE ACROSS ALL FLOORSPACE</u>                               |             |           |
| Total additional market housing and employment floorspace added to Macaulay 2021-51 (sqm)      | K + N = O = | 800,103   |
| Social housing floorspace required for every 1 sqm of market housing and employment floorspace | J / O = P = | 3.83%     |
| Assumed procurement cost of social housing units (i.e. market price)                           | Q =         | \$630,000 |
| Assumed procurement cost of social housing units (per sqm)                                     | Q / I = R = | \$8,750   |
| Cash in lieu contribution per sqm of market housing and employment floorspace                  | P x R = S = | \$334.97  |

Source: SGS Economics and Planning

<sup>8</sup> Calculation differences presented in this table are the result of rounding of underlying calculations

## 4.2 Targeted application

There may be policy reasons to shield non-residential development from a social and affordable housing contribution obligation. For example, authorities may want to provide 'encouragement' for employment generating uses.

In these situations, it would be problematic to increase the load on residential development to make up for foregone contributions from non-residential development. In the case of Macaulay, it would result in an increased per square metre contribution rate of 5.4% and a cash in lieu rate of \$470, which is 40% greater than that calculated above.

Exempting certain development proponents from the social and affordable housing contribution obligation should mean that the planning authority adopting this policy picks up the difference. There is no obvious rationale for State and/or Commonwealth Government increasing their respective contributions to the funding task. Moreover, there is no rationale for a downward adjustment in the amount of social and affordable housing infrastructure required, as this is exogenously defined by reference to need as per Table 4.

Thus, taking Macaulay as an example, shielding non-residential uses from the social and affordable housing contribution could require Council to separately fund around 122 units at a total cost of \$77 million. This would presumably be funded from general rate revenue.

## 4.3 Differentiated contribution rates across land uses

The cost of a universal requirement as calculated in Table 5 will be borne by the sellers of development sites rather than developers. Developers operate in a competitive market and cannot simply pass the costs on to the purchasers of their products. Rather, they will pass the costs backwards in the form of lower bid prices for development sites.<sup>9</sup>

Because of differences in achievable end price per square metre a uniform contribution/cash-in-lieu requirement would imply a heavier impact on residual land value (RLV) for lower value uses. For example under current market conditions, sellers of sites with predominantly commercial development would incur a greater proportional 'loss' of value compared to sellers of sites for residential development. This is illustrated in Table 6, using a hypothetical 10,000 sq m GFA development.

TABLE 6: NOTIONAL IMPACT OF INCLUSIONARY REQUIREMENT ON A 10,000 SQ M DEVELOPMENT

|             | GRV / sqm<br>(\$) | Total GRV<br>(\$m) | Typical RLV<br>% of GRV | Site RLV<br>(\$m) | Affordable<br>housing<br>contribution<br>(\$m) | % impact<br>on RLV |
|-------------|-------------------|--------------------|-------------------------|-------------------|------------------------------------------------|--------------------|
| Commercial  | \$5,000           | \$50.0             | 12%                     | \$6.0             | \$3.35                                         | 56%                |
| Residential | \$6,500           | \$65.0             | 12%                     | \$7.8             | \$3.35                                         | 43%                |

Source: SGS Economics and Planning

The differential impact on land sellers does **not**, in our view, warrant an adjustment in social and affordable housing contribution rates to reflect different land use types. Our reasons include:

- The inclusionary requirement for social and affordable housing is not premised on value sharing grounds. It is based on the obligation of developers to ensure that the area in question grows with the right infrastructure, including affordable housing. There is no in principle reason why the inclusionary requirement should be geared to an even value capture rate for different land uses.

<sup>9</sup> Land prices are often 'sticky' in the short-run, in that land holders do not readily accept lower bids from prospective buyers. The cost 'pass back' is absorbed over time when land prices rise with growth of the city economy. Further, the stickiness of prices can be reduced by setting market expectations with clear signals of the incoming development regulations through the implementation phase.

- The differences in RLV per sq m for commercial, residential, retail and other uses are not stable; they change over time and between locations. If consistency of value capture were to be adopted as a parameter for an inclusionary requirement – which we do not support – a great deal of complexity would need to be built into both the calculation process and the administrative arrangements to support enforcement.
- Land owners are not entitled to the value of the development rights that might be awarded to their land as part of the approvals process. This value legally resides with government. In this sense it is not unfair that some land owners will sustain different impacts on property value as a result of the inclusionary requirement. Such differences occur routinely in the planning system when land is up-zoned or down-zoned or designated for different uses in a master plan.
- The only concern that should be entertained in having differential impacts on RLV is that all land owners retain a sufficient incentive to release their sites to bona fide developers. This means maintaining a sufficient premium between the value of the land in its next best use and the value of the land for redevelopment with the inclusionary requirement. In most cases this condition will be met.

#### 4.4 Application in conjunction with value sharing

As mentioned, an inclusionary requirement for social and affordable housing ought not be conflated with a value sharing mechanism. These are quite separate planning concepts and can be applied in tandem.

By way of illustration, the planning controls for Fishermans Bend include two separate provisions in respect of social and affordable housing reflecting value sharing and inclusionary obligations respectively. These provisions are additive in that they could apply simultaneously in some circumstances.

The first provision requires a mandatory social housing contribution if development exceeds the dwelling density ratio nominated for the precinct in question.

Clause 22.15-4.3 of the Port Phillip Planning Scheme, for example, states:

*It is policy to:*

*Encourage development to provide Social housing, **in addition to** the provision of six per cent Affordable housing, by allowing a Social housing uplift equivalent to **eight additional private dwellings of equivalent size for each Social housing unit provided.***  
(emphasis added)

‘Social housing uplift’ is defined in the Scheme to mean “dwellings that exceed the number of dwellings allowable under the dwelling density requirements” in the Schedule to the Capital City Zone

The second provision relates to an expectation that all proponents will achieve a 6% affordable housing target. This target applies regardless of whether proponents are going for a social housing uplift. The relevant excerpt from the Port Phillip Scheme is set out below.

##### **22.15-4.3 Providing for Affordable housing**

*It is policy to assess proposals against the following criteria:*

*Development should provide at least six per cent of dwellings permitted under the dwelling density requirements in the Capital City Zone (excluding any Social housing uplift dwellings) as Affordable housing, unless, any of the following apply:*

- *The built form envelope available on the site makes it impractical to do so.*
- *It can be demonstrated that the development will contribute to the Affordable housing objectives of this policy while providing less than the minimum amount.*

*– It can be demonstrated that meeting the Affordable housing objectives of this policy would render the proposed development economically unviable.*

In recent Panel recommendations, the 6% target has been clarified to mean that proponents should provide a social and affordable housing 'solution' in their development equivalent in value to making 6% of dwellings available to CHPs at a 35% discount to market price. This value is the same as transferring 2.1% of dwellings at zero consideration ( $6\% \times 0.35 = 2.1\%$ ).

## 5. IMPLEMENTATION POST PANDEMIC

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The COVID-19 pandemic continues to shape our city, national and international economies. As vaccination efforts progress and Greater Melbourne looks to open up after 18 months in various stage of stay-at-home orders, attention will turn to the economic recovery across the capital and in the City of Melbourne in particular.

As SGS has previously described, the short term and transitory economic shocks are reasonably well understood. Closure of international and state borders have restricted movement and resulted in a loss of residents from the inner city. Business closure and lockdowns have dramatically reduced retail, commercial and other economic activity. Restrictions on the construction sector have slowed the development of major projects. Supply chain constraints are also raising costs across a range of sectors. Many of these factors are likely to resolve over the next 6-12 months (however, there is likely to be some lag before returning to pre-pandemic 'normal').

The longer term and non-transitory impacts are less clear. There may be permanent changes to the level of migration. Preferences about where people live and work could shift. How people shop in retail centres and enjoy hospitality and the arts may also change.

For Macaulay, these influences are unlikely to significantly impact the overall development of the precinct in the long run. There will still be demand for additional residential and non-residential floorspace in Macaulay. It is the timing of that demand and associated development that is uncertain. How fast international migration returns to previous levels will play a major role in that timing. Similarly, how widely work-from-home practices are adopted across workplaces will impact the demand for office space per worker and, in turn, the aggregate demand for office space. Additionally, the role of warehousing in servicing the growing 'just in time' delivery market may increase the value of existing uses in Macaulay, somewhat closing the gap between the value of industrial and residential/ commercial uses and potentially delaying the urban renewal transition.<sup>10</sup>

Major renewal of the Macaulay precinct is not expected to start until the late 2020s and the majority of development is expected to occur between 2030 and 2040. The impacts of some of the factors above will have resolved prior to this point, with development trends returning to pre-pandemic levels. Other factors may mean that some development types are permanently slower. Others still, may actually bring forward development. Beyond the COVID recovery, future business cycles will bring more variation to the development and feasibility trajectory in Macaulay. Planning controls should be robust to these economic swings and encourage built form and land use outcomes consistent with the vision set out for the precinct.

Early in 2021, SGS prepared a detailed scenario analysis of how the COVID pandemic might affect residential and employment growth in the City of Melbourne as a whole and in the key urban renewal areas within the municipality.

For this purpose, SGS identified four scenarios reproduced below.

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<sup>10</sup> If changes in market conditions mean there is a higher 'existing use value' on a site, there will be less of an incentive to develop the site into a different alternative use because the difference between income streams across the two uses will be smaller.



**Scenario 1: Expected Recovery** – While the risk of COVID-19 outbreaks remains, this scenario assumes that Victoria will not experience any more extended lockdowns (beyond 2-3 weeks). It assumes the vaccine rollout, both in Australia and overseas, progresses without major disruption, and that international travel/migration returns to pre-COVID19 levels from 2022-2024. It also assumes many of the fundamentals of growth remain intact, and post-COVID Melbourne's central city is expected to continue to see the strong growth observed pre-COVID



**Scenario 2: Slow Recovery and Lasting Effects** - Represents a slower recovery pathway, where COVID-19 outbreaks and extended lockdowns reoccur for the next three years. It assumes that the vaccine rollout, both in Australia and overseas, takes longer to suppress COVID-19, and therefore delays the return of international travel and migration. As a result of a prolonged pandemic and recovery pathway, lasting behavioural shifts are more pronounced, causing significantly lower demand for housing and employment in high density locations.



**Scenario 3: Surging Knowledge Economy** – Due to the success of the recovery response and pent-up demand during COVID-19, this scenario represents a pathway under which migration recovers strongly (both in terms of timing and volume), while structural shifts in the economy and preferences align with the competitive advantages of the City of Melbourne, resulting in strong demand and growth (both residential and employment).



**Scenario 4: Delayed Urban Renewal Areas** – Future urban renewal areas currently have the greatest level of forecast uncertainty. They do not have established development patterns and are dependent on future investment and growth. This scenario assumes the same macro factors as Scenario 1 and tests an alternative development outcome for the Urban Renewal Areas, where enabling infrastructure and/or demand is delayed for these future neighbourhoods.

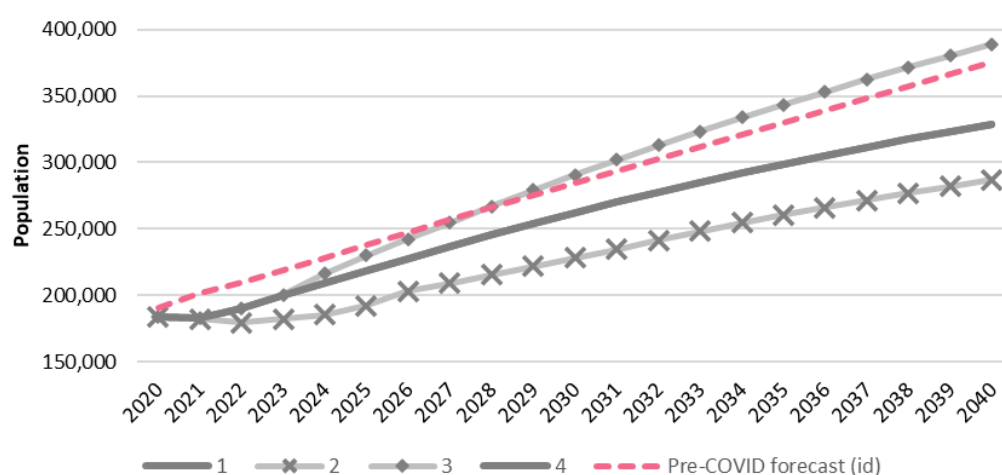
The reality has already departed somewhat from the assumptions built into Scenario 1 'Expected Recovery'; Melbourne and Victoria have continued to see extended lockdowns. Nevertheless, this Scenario continues to reflect SGS's best judgement in terms of a 'benchmark case' for strategic planning purposes.

Under the 'Expected Recovery' scenario, the City could reach 330,000 residents and 660,000 jobs by 2040. This is 46,000 (or 14%) fewer people and about 40,000 (or 6%) fewer jobs compared to pre-COVID forecasts.

Under a 'Surging Knowledge Economy' (S3), population could return to pre-COVID forecasts while employment could be some 7,000 higher than previously forecast by 2040 (see figures below).

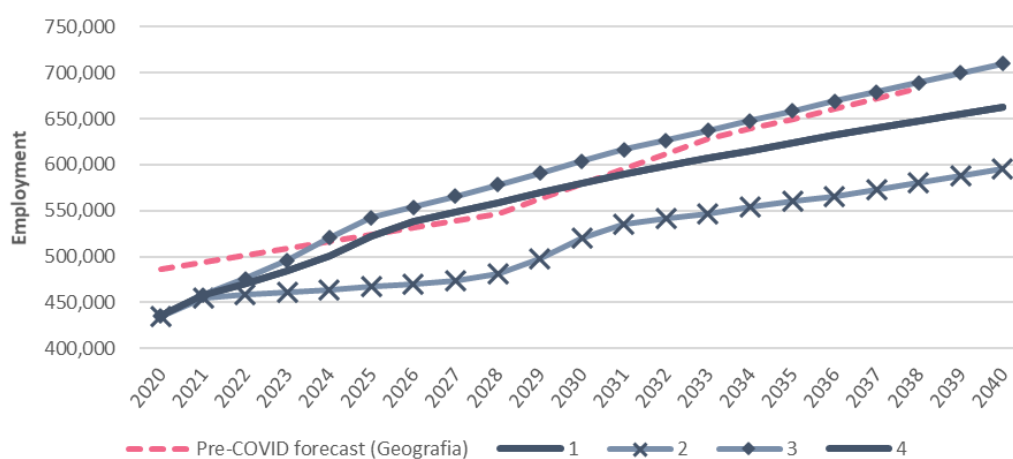
This scenario analysis provides no basis for changing the planning approach to Macaulay, including that applied to affordable and social housing infrastructure. COVID-19 will impact the pace and staging of development in the inner city, but it is unlikely to impact housing affordability in the long run, whichever scenario eventuates. Whenever the development opportunities in the precinct are taken up, affordable and social housing infrastructure will be required, and one third of this would reasonably be funded from statutory planning contributions.

FIGURE 1 CITY OF MELBOURNE POPULATION FORECASTS BY SCENARIO



Source: SGS Economics and Planning, 2021

FIGURE 2 CITY OF MELBOURNE EMPLOYMENT FORECASTS BY SCENARIO



Source: SGS Economics and Planning, 2021

## 6. CONCLUSION

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The City of Melbourne has adopted a Housing Strategy which includes in-principle support for social and affordable housing contributions secured through the rezoning and development approval process. While the Strategy establishes the broad parameters of an affordable housing contributions policy, a number of details about scope and scale, as well as the approach to implementation, remain unresolved.

There is some urgency to settle these questions, particularly as planning for major renewal areas such as Macaulay are now at an advanced stage. This report has aimed to address those questions.

Social and affordable housing is essential infrastructure for a successful and sustainable City of Melbourne. It should not be regarded as an optional extra or 'nice to have' in setting the planning framework for this area.

It follows that the City of Melbourne requires the same level/quantum of social housing infrastructure as the wider community. This has been established at approximately 14% of the total housing stock.

The principles outlined in this report indicate that responsibility for affordable housing provision is distributed across the Commonwealth Government, State Government and the local development sector.

The local development sector can reasonably be expected to carry one third of the task of ensuring adequate social and affordable housing infrastructure in Melbourne's neighbourhoods. That is, successive developments should incorporate, or pay for, one third of the social and affordable housing units required in precincts such as Macaulay over the planning period. Using the moderate forecasts, this amounts to  $1,289/3 = 425$  dwellings.

When this task is spread over all anticipated development in Macaulay (commercial, retail, institutional and residential) according to Council's capacity model, all development would be required to include, or pay for, social and affordable housing at the rate of 3.83% of all marketed floorspace.

This general obligation to make a fair and proportionate contribution to social and affordable housing infrastructure could be supplemented by a value sharing regime which can be used to provide *additional* social and affordable housing or other community benefits. This applies in the Fishermans Bend Framework Plan and Planning Scheme provisions.

All these provisions can be incorporated into the Macaulay statutory planning provisions and elsewhere in the City of Melbourne using models which have been successfully applied elsewhere. Council has a number of options to implement a contributions policy, however, not all will have the same impact in terms of the number of dwellings yielded:

- Ad hoc voluntary requirements, supported via s173 agreements: such agreements were enabled by a 2018 amendment to the *Planning and Environment Act 1987 (Vic)*, however, this relies on developers to volunteer contributions, which is unlikely across all (or any) sites without council providing some inducement (i.e. increased development rights).
- Voluntary agreements supported by Local Policy and non-mandatory targets (e.g. Fishermans Bend model): while this approach provides some additional guidance to developers and assurance that contributions will be provided, they ultimately rely on developers agreeing to the contribution. This structured 'encouragement' approach,

similar to that currently being sought in the Arden precinct, could result in the under-provision of affordable housing in Macaulay.

- In-zone requirements (e.g. West Melbourne, Special Use Zone approach or Altona North, Comprehensive Development Zone approach): these approaches provide a mandatory, or quasi-mandatory mechanism that enable councils to require affordable housing contribution before approval of development. These provide the best possible chance to ensure that the desired level of affordable housing is provided. They are also the most efficient mechanism, by setting clear expectations that are difficult to contest permit application decisions.

While COVID-19 has massively changed the course of the development sector and Melbourne economy more broadly, it is not expected to have a significant effect on major urban renewal areas like Macaulay in the long term. Development of the precinct is not expected to start until the late 2020s and the majority of development is expected to occur between 2030 and 2040. Therefore, interaction with any affordable housing contributions is likely to be minimal, at most.

# APPENDIX: REVIEW OF COUNCIL PRACTICES

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## West Melbourne

Amendment C309 (now C385) seeks to implement the land use and built form components of the *West Melbourne Structure Plan 2018*. It proposes a number of innovative approaches to managing growth in West Melbourne, proposing mandatory floor area ratios, minimum non-accommodation floor area requirements, and affordable housing contributions that are relatively novel in the metropolitan Melbourne context.

This is proposed to be enacted through the Special Use Zone and stipulates that at least 6% of dwellings should be made affordable unless otherwise agreed to by the Responsible Authority. This should be provided to a Housing Provider at no cost or to be held in an affordable housing Trust and managed for the sole purpose of affordable housing, unless otherwise agreed to by the Responsible Authority. The controls also include a 'development viability' test for applications that do not include a 6% contribution gifted to a registered housing agent or managed in an affordable housing trust.

## Fishermans Bend

Fishermans Bend's 6% affordable housing (by 2050, for all new developments) target has been approved through voluntary agreements under section 173 of the Act. This regulation provides a stronger case to 'insist' on developer agreement, with planning permit conditions likely to be more robust at VCAT. This approach is beneficial, as the requirements of developers can be codified and telegraphed in the strategy policy. Transaction costs can be reduced because proponents are able to estimate their affordable housing exposure in advance.

The planning controls for this precinct sit within the Port Phillip and Melbourne Planning Schemes and include a Social Housing Uplift scheme to deliver social housing, encouragement of dwelling diversity and a range of building types.

## Central City (Melbourne)

Through Amendment C270, the Victorian State Government has explicitly sanctioned value sharing linked to the granting of additional development rights to proponents of high rise developments in the Capital City Zone. The amendment provides new built form provisions and specifies a value sharing scheme for the Melbourne Capital City Zone. This provides for the delivery of public benefits (such as affordable housing provision) based on floor area uplift. Clause 22.03 of the Scheme sets out how the "Floor Area Uplift and Delivery of Public Benefit" mechanism is to operate.

## City of Hobson's Bay

Affordable housing requirements are operationalised through local policies at Clause 21.03-2 (Strategic Redevelopment Areas) and a Schedule 2 to Clause 37.02 (Comprehensive Development Zone). These subdivision requirements are applied to all land covered by the Altona North Comprehensive Development Plan and stipulate that landowners must develop 5% of total dwellings as affordable housing. This is to be carried out in accordance with section 173 of the *Planning and Environment Act*, wherein developers must enter into an agreement with Council.

### **City of Glen Eira**

Similarly, the Glen Eira planning scheme requires landowners to enter into a section 173 agreement through a Schedule 2 to Clause 37.02, should they wish to exceed the development of 3000 dwellings within the precinct. The provision requirements state that 10% of the number of dwellings (beyond 3000) must be affordable housing.

### **City of Whittlesea**

Instead of implementing site-specific local policies to guide the provision of affordable housing, the City of Whittlesea uses Clause 16.01-2L to recommend that structure plans include 5% social housing and 10% affordable housing. This applies to either established or greenfield developments.

### **City of Yarra**

The City of Yarra employs Schedules to the Development Plan Overlay to operationalise its affordable housing contribution requirements across the Channel Nine site on Bendigo Road, the Amcor Site on Heidelberg Road, Former Fitzroy Gasworks and the Burnley and Doonside Street site. In the case of the Alexandra Parade site, a Schedule to the Design and Development Overlay was instead utilised. Depending on location, the requirements range from the provision of 5%, 10%, up to 10% or up to 20% affordable housing dwellings.

In the case of the Amcor Site in Alphington, Yarra's planning scheme stipulates that affordable housing provision must be enacted under a section 173 agreement, with an accredited housing association.

### **City of Maribyrnong**

Affordable housing requirements are enacted through Schedules to the Development Plan Overlay at Clause 43.04. This applies across sites at three locations within the municipality, which includes the Bradmill Precinct, Ryco Precinct and 2A Beachley Street.

The local policy states that supplementary affordable housing report must accompany development plans in these sites to ensure that 5% of total constructed dwellings are affordable housing.

### **City of Port Phillip**

The Fishermans Bend Urban Renewal Area falls within the jurisdiction of both the City of Melbourne and City of Port Phillip. In the latter's planning scheme at Clause 22.15 it is stated that residential land uses must not exceed the specified dwelling density unless a section 173 agreement is entered into. This requires at least one social housing dwelling to be provided for every eight dwellings. This policy also recommends that all residential developments should provide an affordable housing target of 6%.

Clause 22.14 also recommends that new development in the Bay Street Activity Centre provides at least 10% affordable dwellings.

### **City of Banyule**

A Schedule to Clause 43.04 (Development Plan Overlay) requires that up to 10% of total dwellings are provided as affordable housing. This requirement is only applicable to one site within the municipality, at the North-West corner of Upper Heidelberg Road and Forster Street, Ivanhoe.

### **City of Kingston**

A Schedule to the Development Plan Overlay at Clause 43.04 (relevant to all land in the Former Highett Gas Works) stipulates that up to 10% of dwellings are provided as affordable housing.

### **City of Moonee Valley**

The City of Moonee Valley details a requirement for 5% of all dwellings to be developed as affordable housing, to the satisfaction of the Responsible Authority. This applies to the Moonee Ponds Activity Centre Zone, in a Schedule to Clause 37.08.

The planning scheme also outlines that across the land between Fisher Parade and the Flemington Racecourse rail spur line 5% of all dwellings must be constructed as affordable housing through a Schedule to Clause 37.02 (Comprehensive Development Zone). This includes 15 dwellings to be held in Trust for low-income staff who work at the Racecourse.

### **Green Square (Sydney)**

Green Square is a \$13 billion high density urban development located in the south of the City of Sydney, five kilometres from the CBD. The area has seen a transition from a predominantly industrial area to include a high density of residential and commercial uses. Following the inclusion of 'the provision of social and affordable housing' as an object of the EP&A Act in 2000, an inclusionary zoning scheme was implemented which required that new residential developments dedicate 3% of floorspace to affordable housing (or provide cash in lieu).

These contributions have since funded delivery of 100 affordable dwellings within the precinct, with an eventual target of 330. Development of under-utilised or dedicated public land has served as the primary mechanism for City West's housing delivery program. Partnership with the NSW Land and Housing Corporation at the 'Blackwattle' apartment site in Glebe saw City West replace 153 dated social housing flats with 495 apartments with a mix of social, affordable and market dwellings.

### **Pymont (Sydney)**

In 1994, the City West Affordable Housing (CWH) Program was established by the NSW Government to ensure that the Ultimo/Pymont redevelopment area retained a socially diverse population representative of all income groups following the renewal process, with a target of 600 affordable dwellings. The program was the first step towards a partnership between the community, development industry and Government for the delivery of affordable housing.

Amendments made to the Environmental Planning and Assessment Act 1979 and the City of Sydney LEP allowed Council to require an in kind or monetary contribution for the provision of affordable housing. For residential purposes this is calculated as 0.8% of the total floor area. The program has provided about 450 affordable housing units to over 930 people in Ultimo-Pymont.

Cash in lieu and works in kind contributions obtained through the Ultimo-Pymont scheme are then owned and managed by City West Housing. This provided the first instance of successful inclusionary zoning in Australia and remains an effective model for partnership between local government and the community housing sector.

### **City-wide contribution rate (Sydney)**

The City of Sydney Affordable Housing Program is to provide the background, requirements and operational detail for various affordable contribution provisions in Sydney's LEPs. This program aims to ensure that as the cost of housing increases, affordable rental housing is provided for very low to moderate income households, as well as to facilitate opportunities for government and community housing providers to supply affordable housing within the city. The program streamlines and consolidates the Green Square and Southern Employment Lands schemes and introduces new schemes for Central Sydney, residual land and Planning Proposal land.

In Central Sydney and on residual land, the residential contribution rate is: 1.5% from 1 June 2020 to 31 May 2022, and 3% from 1 June 2022 onwards. The non-residential contribution rate is: 0.5% from 1 June 2020 to 31 May 2022, and 3% from 1 June 2022 onwards.





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