

# Oral Presentation to Fishermans Bend Planning Panel

Nicola Foxworthy, Chair, Affordable Housing Industry Advisory Group

2 March 2018

## Submitter Number: 243

1. Thankyou Panel for the opportunity to speak today. My name is Nicola Foxworthy and I am the Chair of the Affordable Housing Industry Advisory Group. My full-time employment is as Program Director for Common Equity Housing Limited.
2. The Affordable Housing Industry Advisory Group (the Advisory Group) is an independently formed body that comprises of representatives of Victoria's leading residential development and affordable housing industry peaks, private and not-for-profit development, financing and housing organisations, including the UDIA, the Property Council, the Community Housing Industry Association of Victoria and the Planning Institute, as well as industry advisers. A full list of members is set out in our written submission to the Panel.
3. The Advisory Group welcomes the opportunity to provide comment on the Draft Fishermans Bend Framework and to submit to the Panel process, specifically to make comment in relation to the aspects of the Framework concerning affordable housing.
4. I would like to also extend the Advisory Group's appreciation to the Fishermans Bend Taskforce and team for various opportunities during the last 12 months to engage in discussions and to inform their understanding of options to support affordable housing delivery in Fishermans Bend.
5. The Advisory Group has published two papers that I will refer to in my presentation:
  - a. 'Enabling industry co-investment in a sustainable Victorian affordable housing system', developed in 2016, which sets the Group's vision for an affordable housing industry, and highlights the range of key stakeholder considerations if industry is to co-invest with Government to deliver affordable housing outcomes at scale;
  - b. 'Advancing land use planning approaches to facilitate affordable housing' developed in 2017.

**A summary version of this Report is tabled with my speaking notes today and the full report can be made available at the Panel's request.**

This Discussion Paper explores three potential land-use planning system approaches that could be adopted in Victoria to facilitate affordable housing, utilising hypothetical feasibility assessments of different development scenarios to test the value share proposition.

The paper includes the examination of the concept of an additional floor area which has some similarities to the floor area uplift provision proposed for Fishermans Bend and which I will refer to in a moment.

6. I also note and refer the Panel to submissions made by Advisory Group members, including by the Property Council, UDIA, PIA, CHIAVIC and Port Phillip Housing Association.
7. It is important to note that the Advisory Group members retain the right to individual organisational views, and as a cross sector Group we seek to highlight where there is both commonality and diversity of views, with the shared objective to find workable policy solutions to support the delivery of affordable housing at scale.
8. The documents the Group have published are noted to be supported by those organisations whose logos are attached to them.

### **Contextual comments**

9. Before I discuss the proposal before the Panel in relation to the delivery of affordable housing in Fishermans Bend, I would like to make a few overarching comments:
  - I. Firstly, the Advisory Group is highly supportive of the recognition by the State Government of the importance of affordable housing to the sustainability and economic development of Fishermans Bend and more widely, Victoria.
  - II. The Advisory Group continues to emphasise that the ability to address existing and predicated affordable housing need will depend on significant investment by all levels of Government, particularly the Federal and State Governments.
  - III. To be specific, the delivery of housing that is affordable for very low, low and potentially moderate-income households in the vast majority of locations across Melbourne requires some form of subsidy or value to be created and shared.
  - IV. The Advisory Group was pleased to note the Victorian Government's housing strategy, *Homes for Victorians* includes several policy and investment commitments that may start to make a small impact on affordable housing supply requirements.
  - V. Certain tools, such as the Social Housing Growth Fund, could be specifically applied to support affordable housing delivery in an area, such as Fishermans Bend, if Government wanted to ensure affordable housing growth in a particular location
  - VI. The Advisory Group also notes the aspects of the refresh of Plan Melbourne that include a recognition that the planning system has a role in facilitating affordable housing.
  - VII. The Advisory Group agrees that land-use planning approaches, if appropriately structured, is one of several tools that the State Government should utilise to enable co-investment in affordable housing but suggests caution should be placed on expecting these approaches will deliver any outcome at scale.
  - VIII. The Discussion Paper tabled with this submission outlines a number of the practical and policy considerations that we suggest should inform the development of any planning system based model.

- IX. It is noted that in refining Plan Melbourne the Government consciously elected to not mandate affordable housing provisions across the market.
- X. It is also worth noting that the Government through DELWP, is progressing a number of the Plan Melbourne affordable housing related initiatives that have relevance to future planning controls for Fishermans Bend.
- XI. In particular, legislative changes to the *Planning and Environment Act* that come into effect from 1 June 2018 that are relevant to a discussion on planning approaches in Fishermans Bend include:
  - I. Introduction of an Object to the Act to ‘facilitate affordable housing’;
  - II. Inclusion of a definition of Affordable Housing in the Act, being that affordable housing is housing, including social housing, that is appropriate for very low to moderate income households and is available at cost that enables other costs of living to be met; and
  - III. Inclusion of a specific acknowledgement that responsible authorities may utilise section 173 agreements to secure affordable housing outcomes.
10. The Advisory Group notes that the structuring of this broader policy framework and the implementation detail is critical, and to be successful, the range of stakeholder requirements to operate effectively needs to be addressed.
11. I draw the Panel’s attention to an extract from the first document the Group issued, provided as an **Attachment** to these notes, which highlights these various considerations.
12. Ultimately under any scenario, it is critical to ensure clarity and transparency as to the cost of delivery of affordable housing, and who is responsible for that cost.
13. The Advisory Group also notes, that with the exception of the recent Central Business District C270 controls, and the proposed floor area uplift arrangement in Fishermans Bend, the Government has explicitly stated it is not mandating affordable housing requirements nor establishing clear incentive programs in other markets, rather, is seeking to further clarify and support voluntary based negotiations between planning applicants and authorities. This has relevance to the resulting Fishermans Bend framework the Panel is considering today.

#### **Affordable Housing delivery in Fishermans Bend**

14. Specifically, in relation to Fishermans Bend, the Advisory Group:
  - I. Welcomes the acknowledgement of the provision of affordable housing as essential to the sustainability goals of the Fishermans Bend Urban Renewal Area;
  - II. Is supportive of the adoption of the broad definition of affordable housing, which reflects the definition adopted in the Planning and Environment Act but notes that the direction of dwellings generated through the application of the Floor Area Uplift

approach will only support a social rental outcome, not wider affordable rental or purchase;

- III. Supports, in-principle, the application of a voluntary, incentive-based approach to delivering affordable housing in the FBURA through the use of a Floor Area Uplift provision and the priority of this public benefit to affordable housing, assuming this approach is economically viable and does not unintentionally limit development progressing;
- IV. Supports the gifting of affordable housing created under the uplift arrangement to a Victorian registered housing agency and recommends that this allocation will provide sufficient comfort the dwelling will be appropriately managed and allocated to households in need of affordable housing without the need for the Government to set allocation requirements or impose covenants on title;
- V. Notes that it is unclear if the 6% target will be achieved through the adoption of the Floor Area Uplift, being voluntary in nature, nor how Objective 3.5, specifically, the Strategy to “Pursue mechanisms to incorporate social and affordable housing as a proportion of new development (which) could operate in tandem with the proposed FAU incentive scheme” will be actioned;
- VI. Recommends the State Government consider how it may further support the achievement of the 6% outcome through direct investment and other financial support for the not-for-profit housing sector;
- VII. Cautions against the setting of base floor area ratio artificially low in order to apply an uplift, recognising that a careful balance is required to not disincentivise delivery, or result in perverse development outcomes such as limiting land use potential or impeding development proceeding;
- VIII. Notes that the provision of additional floor area must be sufficient to offset the costs of delivering the affordable housing and incentivise developer take-up;
- IX. Notes that the Advisory Group’s independent analysis set out in our Discussion Paper indicates that between 3.3 and 9.1 developed units could be gifted into an affordable housing outcome on a development of 100 or 300 unit respectively if a 10 per cent floor area uplift and a guaranteed approval time frame was in place. i.e.:
  - On a development of 100, approval for an additional 13.3 dwellings would support 3.3 dwellings being gifted with the developer maintaining their margin;
  - On a development of 300, approval for an additional 39.1 dwellings would support 9.1 dwellings towards an affordable housing outcome.
- X. Recommends that any land bought previously; which would have been purchased for an amount that was based on a much higher land value yield due to the expectation of being able to realise up to 40 storeys without the FAU scheme; is made exempt from the proposed changes associated with the FAU mechanism;

- XI. Recommends that further supporting policy documents are prepared in consultation with the development and not-for-profit housing sectors as part of the implementation of the Framework to support land owners to deliver and transfer assets in to an affordable housing purpose with ease. The Advisory Group would welcome the opportunity to work with Government to inform the contents of these Guidelines.

15. In conclusion, the Affordable Housing Industry Advisory Group:

- I. Supports the recognition by the State Government of the importance of affordable housing delivery to the realisation of the FBURA Vision and the Sustainability Goal 3: 'An inclusive and healthy community';
- II. Support, in principle, the application of an opt-in Floor Area Uplift system as an incentive-based approach to facilitating the supply of affordable rental housing;
- III. Notes, on face value, the 8:1 ratio appears a sufficient incentive to encourage a level of market take-up assuming base floor area ratios are not too low;
- IV. Notes that other government investment is likely to be required if the level of affordable housing likely to be required relative to demand is to be realised.

## Attachments

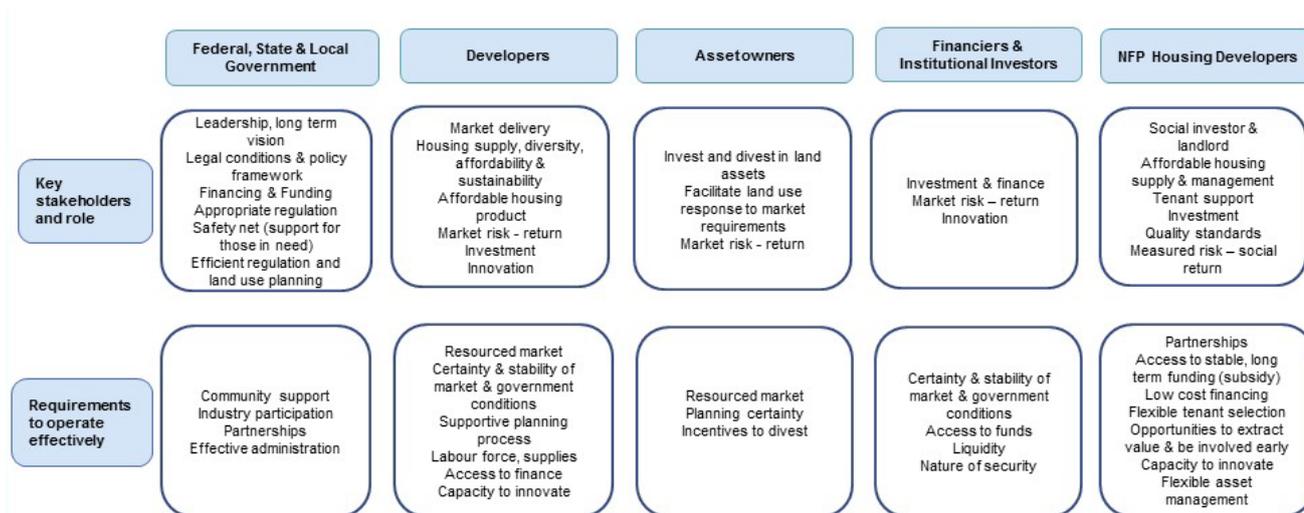
1. Extract from: 'Enabling industry co-investment in a sustainable Victorian affordable housing system' (Affordable Housing Industry Advisory Group, September 2016)
2. Discussion Paper 'Advancing land use planning approaches to facilitate affordable housing' (Affordable Housing Industry Advisory Group, October 2017)

## Attachment 1

Extract from: *'Enabling industry co-investment in a sustainable Victorian affordable housing system'* (Affordable Housing Industry Advisory Group, September 2016)

### Roles and Requirements

We recognise that each stakeholder has different roles and requirements that need to be met to operate efficiently. We have summarised these roles and requirements as a foundation to then explore how policy approaches either align with, or may counteract, different underlying conditions:



### Role of Government

We advocate for governments to create the underlying conditions and environment that enables the residential development industry to participate and co-invest. We seek governments to support and provide for:

- An efficient housing market
- Government investment
- Affordable housing plans and supply targets
- Conditions that support private, public and NFP investment
- Appropriate use of planning tools and mechanisms
- Streamlined and adequately resourced decision-making
- Community engagement and education
- Targeted, secure, well managed affordable housing outcomes; and
- Appropriate monitoring and evaluation.

## Attachment 2

Copy of Discussion Paper '***Advancing land use planning approaches to facilitate affordable housing***'  
(Affordable Housing Industry Advisory Group, October 2017)



# SUMMARY REPORT

## Advancing Land-Use Planning Approaches to Facilitate Affordable Housing

Prepared by the Affordable Housing Industry Advisory Group

October 2017

*With the advice of:*



*Feasibility modelling sponsored by:*



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## Members



### Further Information

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

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### Supported by



AFFORDABLE DEVELOPMENT OUTCOMES

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## Advancing Land-Use Planning Approaches to Facilitate Affordable Housing

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

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

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

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

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

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

### Planning scenarios

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

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

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

# Advancing Land-Use Planning Approaches to Facilitate Affordable Housing

## Potential impact

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

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

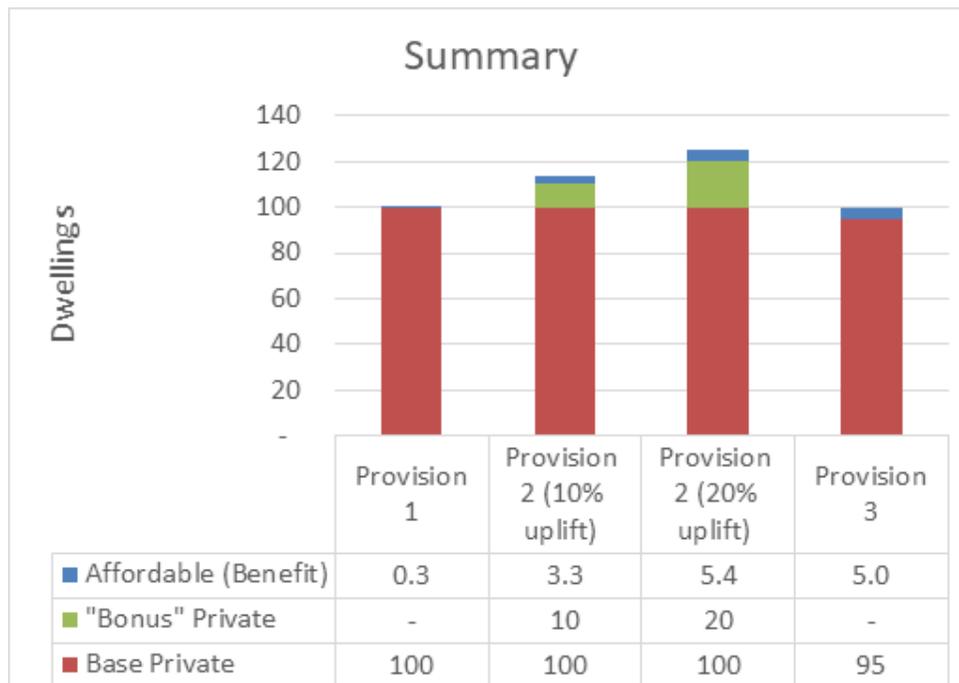
## Engagement proposal

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

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

## Value share tool in a rezoning

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



## Summary of Planning Provision Concepts

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

\*Based on feasibility assessment of 100-unit development

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



### **Affordable Housing Industry Advisory Group**

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

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

### **Acknowledgement**

The Advisory Group acknowledges the generous support of its members, Community Sector Banking and Haven; Home, Safe in sponsoring the feasibility work undertaken for the paper.

### **Further information**

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

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