7.1.7 UPDATE ON 65A POWER AVE, CHADSTONE

Responsible Manager:	Daniel Dowling, Manager Property and City Design
Responsible Director:	Peter Panagakos, Director City Development

RECOMMENDATION

That Council

1. **Notes the outcome of officers' investigations in affordable housing options for 65a Power Ave, Chadstone, including the consultant report included at Attachment 1 of this paper.**
2. **Notes that the report concludes that delivery of 100% social housing at 65A Power Avenue is highly unlikely to be feasible under a lease model due to current government funding settings and**
3. **Notes that the alternative options identified in the report are outside the scope of Council's intentions for 65A Power Avenue and are not captured in any existing Council strategy.**
4. **Resolves to not progress any further work at 65A Power Avenue for the provision of affordable housing at this time, recognising that the site may form part of future considerations should circumstances change.**

INTRODUCTION

The purpose of this report is to advise Council of the outcome of investigations into affordable housing options for Council's land at 65a Power Avenue, Chadstone.

COUNCIL PLAN STRATEGIC OBJECTIVES

A council with good governance, strong leadership and community involvement in decision making
A Council that provides governance and leadership for the benefit of our community through community engagement, advocacy, decision making and action.

BACKGROUND

At its meeting on 27 August 2024, Council received a report on the proposed social housing development at 65a Power Ave, Chadstone. This report noted that HousingFirst were unable to proceed. In light of this change, Council resolved (among other things) as follows:

"That Council

> *……*
>
> *6. Expresses its disappointment that the project cannot proceed and directs officers to investigate whether any other opportunities or options exist to achieve an affordable high quality housing development on the land and advise Council at the appropriate time on any outcome."*

DISCUSSION

To assist in the investigation of options for the site, officers engaged a specialist in social and affordable housing.

Affordable Development Outcomes (**ADO**) reviewed the site and assessed the feasibility of social housing delivery models within the current Victorian funding environment. The findings of this investigation are contained in the report included at **Attachment 1** of this paper (**Report**).

Definition of Affordable Housing

Affordable housing refers to below-market housing for low- to moderate-income households, including social housing, discounted rentals and ownership options; social housing is the main form in Victoria, delivered by government or registered agencies with rents capped at 30% of income for highest-need households, whereas affordable rentals are simply discounted and available to a broader group.

The Report

The Report concludes that delivering 100% social housing at 65A Power Avenue is unlikely to be feasible under the lease model due to a fundamental mismatch with current government funding settings. These government funding settings have effectively moved from upfront capital grants to a post-construction debt servicing payment to the Registered Housing Agencies (**RHA**).

ADO's report is structured in three parts:

- Part 1 outlines the legislative, funding and financing context for affordable housing in Victoria;
- Part 2 assesses delivery options for the site against key objectives; and
- Part 3 provides guidance on evaluating sites and structuring an effective EOI process.

In Victoria, government funding relies on RHAs securing finance to cover full construction costs which requires them to hold sufficient assets as security, something not achievable under a lease structure where Council retains land ownership. As a result, lease arrangements significantly limit borrowing capacity of the RHA making projects less viable.

Social housing delivery also requires a substantial ongoing subsidy due to below-market rents and high operating, construction, and financing costs, with funding typically sourced from a combination of government grants, discounted land, RHA equity, and debt.

The report further notes that access to funding is highly constrained and competitive, with RHAs facing strict lending requirements and lower borrowing capacity compared to private developers.

Where lease-based projects have proceeded in Victoria, this has generally relied on additional funding, existing asset backing, or higher-risk financing arrangements, alongside previously lower construction costs, conditions that are less achievable in the current environment.

Other options such as transferring the land to a housing agency at no cost or forming a joint venture may be more likely to deliver results but do have their own risks and require additional resourcing.

Ultimately, the Report recommends that Council clarify its primary objective and the trade-offs it is willing to accept to achieve social housing.

Officers note that the alternate options presented in the Report are outside the scope of Council's intentions for 65a Power Ave and not captured in any existing strategy. Furthermore, officers would not recommend these other options due to the risks involved, which are summarised below.

Options Considered

The Report assessed six options against Council's objectives, prioritising delivery of high-quality social housing, retention of land ownership, control over outcomes, risk minimisation, and no direct financial contribution.

Option 1 – Lease to RHA (100% social housing)

Council retains land and leases it (up to 50 years) at nominal rent to a RHA.

- Maintains ownership and some design control.
- Lower appeal to RHAs as they cannot leverage land value to secure funding.
- Potential financing and legal risks for Council if lenders seek security over the land (i.e., if a RHA defaults a lender would have claim to the land in question).

Option 2 – Trust or Special Purpose Vehicle (SPV)

Land transferred to a separate entity that partners with an RHA to deliver housing.

- Enables borrowing against land value; risk contained in entity.
- Council influence reduces once established (governed independently).
- Complex and costly to set up; limited initial capacity to leverage assets.
- While Council may nominate 50% of Directors, there is still no direct level of control over development outcomes once assets are transferred.
- Any Directors nominated by Council would take on a level of risk.

Option 3 – Transfer land to RHA (nil consideration)

Land gifted to an RHA, who develops and owns the housing.

- Strongest feasibility and most attractive to RHAs (can leverage land for funding).
- Council loses ownership and long-term development control.
- Any imposed s.173 restrictions imposed by Council could be diminished should a RHA seek to change these through the state government.
- Risk of future sale or changes to social housing outcomes (recent example in Port Philip where a previously council-gifted site was sold off by the RHA).

Option 4 – Sale at discount

Land sold below market value to support affordable/social housing.

- Provides some financial return while enabling housing outcomes.
- Outcomes dependent on funding and ownership structure; may not achieve full or long-term social housing.
- Potential compromise in development typology and scale.
- Council loses control over development outcomes as with other options.

Option 5 – Market sale (innovative housing)

Land sold at full value with no mandated social housing outcome.

- Financial return to Council and potential broader housing innovation.
- No guaranteed social or affordable housing outcome.
- High reputational risk due to perceived privatisation of public land.

Option 6 – Retain as vacant land (do nothing)

Council retains land with no development.

- Maintains ownership and avoids development risks.
- No housing outcomes achieved; Council objectives not met.
- Community retains use of land.

<u>Councils Site Selection and EOI Structure</u>

The Report notes that Council's previous approach was broadly appropriate but recommends keeping EOI requirements focused on core criteria such as experience, delivery capability, and partnership approach, avoiding detailed designs or full feasibility upfront to reduce costs and encourage participation. It suggests a simpler EOI process with sufficient baseline information, with detailed design developed after partner selection.

It also advises against over-weighting site location, noting limited Council land supply and the need to tailor development and tenant mix to the site context.

Finally, the Report highlights that RHAs differ from private developers, prioritising housing need and maximising scale, rather than focusing on lower-risk, market-driven outcomes.

POLICY IMPLICATIONS

Council has made a number of commitments to advocate for an increase in social housing and affordable housing supply in Monash as well as the broader East and South-East region. However, the options presented in the report do not align with Council's existing policies and are a departure from Council's initial plans for 65a Power Ave, Chadstone, being the provision of social housing under a lease model.

SOCIAL IMPLICATIONS

There remains a significant shortfall in social housing impacting the health, wellbeing and safety of people experiencing homelessness in Monash.

CONSULTATION

Officers from Property, Community Strengthening and Strategic Planning have provided input into the Report.

HUMAN RIGHTS CONSIDERATIONS

Housing is a basic human right. The lack of access to appropriate and affordable housing may impinge on many human rights that are protected under several international treaties, including the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the Convention on the Rights of the Child. These rights include the right to:

- an adequate standard of living
- privacy
- social security
- education
- freedom from discrimination
- to vote
- liberty and security

GENDER IMPACT ASSESSMENT

A GIA was not completed because this agenda item is not a ‘policy’, ‘program’ or ‘service’.

FINANCIAL IMPLICATIONS

Should Council seek to pursue any of the options detailed in the Report, further costs and officer time would need to be considered.

CONCLUSION

Officers have finished reviewing housing options for 65a Power Avenue as directed by Council, and it is recommended that no further work be done on seeking to provide affordable housing at 65A Power Avenue at this time. There is no suitable funding model currently available that could deliver affordable housing and that would meet Council’s requirements such as retaining ownership of the land. It is recognized however that there could be future considerations for a development outcome on the site (subject to a new process) particularly if funding models change or new opportunities arise.

ATTACHMENT LIST

1. Report - 65 a Power Ave Chadstone Options [**7.1.7.1** - 51 pages]

AFFORDABLE DEVELOPMENT OUTCOMES

Housing Options - 65A Power Avenue, Chadstone

Prepared for City of Monash

Final May 2026

Contents

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Executive Summary

Overview

City of Monash ('Council') is committed to facilitating an increase in affordable housing, particularly social housing. This was demonstrated in the 2021 Council decision to lease vacant Council-owned land at 65a Power Avenue, Chadstone ('the Site') for development as social housing by a Registered Housing Agency ('RHA').

Following an Expression of Interest ('EOI') process, Council selected RHA HousingFirst to develop and manage the land as affordable housing under a 50-year lease. A public notice and consultation period resulted in a Council decision to proceed with the lease, subject to design changes.

In 2024 HousingFirst advised that they were unable to proceed with execution of the lease agreement due to funding and financing constraints.

In September 2025 Council engaged Affordable Development Outcomes to advise Council on current funding and financing context and options to realise affordable housing on the Site. Advice on site selection and EOI tendering was also sought.

Report Overview

The Report is set out in three Parts:

- **Part 1** sets out background context and the current legislative, funding and financing environment as it relates to affordable housing delivery in Victoria;
- **Part 2** explores options for delivering affordable housing on the Site; and
- **Part 3** provides general advice on evaluation of sites for affordable housing and guidance on the optimal design of EOI process.

Terminology

The term 'affordable housing' is applied in the Report to encompass the range of below-market priced housing that is required by, appropriate for and targeted to, very low, low and moderate income households who experience, or are at risk of homelessness or housing stress. Affordable housing includes social housing, discounted affordable rental housing and targeted affordable homeownership programs.

Social housing is the primary form of affordable housing in Victoria, defined as housing owned and/or managed by a RHA or the State Government (Homes Victoria), where households are charged no more than 30 per cent of their income on rent. Social housing prioritises households with the highest need and lower incomes. This differs from affordable rental housing where a discount to market rent is applied, and broader income eligibility applies.

To date, Council has sought a social housing outcome on the Site where dwellings are managed by a RHA.

Funding and Financing Affordable Housing

Delivery of affordable housing requires the gap between target household's income capacity - defined as a maximum 30 per cent of their income to achieve affordability - and the market rent or purchase price. To address this gap requires investment (subsidy). This can be in the form of gifted or discounted land provision, capital grants, recurrent subsidy payments, or low-cost finance.

The primary source of subsidy are Commonwealth and State Governments. Current grant programs are discussed in Part 1. It is often a combination of land and funding that enables the realisation of affordable housing.

Of relevance to the assessment of a lease model, the funding model provides an 'availability payment' which requires a RHA or other investor to finance 100 per cent of the construction, with a payment provided for a defined period (25 years) to support servicing of the construction loan. Financiers require the RHA to have sufficient security (assets) to lend funds. This requires the borrowing entity (i.e. the RHA) to own the asset or have sufficient other valued assets that they can utilise as security.

Options Assessment

The following options for releasing the Site are assessed:

Option
1. Lease land to a RHA for a 100% social housing development.
2. Land placed in a Trust or a Special Purpose Vehicle, developed and managed by a RHA for 100% social housing development.
3. Land disposal at nil consideration to a RHA for a 100% social housing development.
4. Land disposal at a discount, to either: 4.1 A RHA for a social housing development 4.2 A For-profit developer or investor in partnership with a RHA for a social and/or affordable housing development.
5. Land disposal at market value for a market priced innovative housing development. Unlikely to achieve affordable housing.
6. Retain land for current use which is passive open space. No affordable housing outcome.

For each option, the Report:

- summarises the model;
- outlines key benefits and challenges from council and housing agency perspectives;
- identifies key risks associated and potential mitigations;
- provides examples of where the model has been applied; and
- sets out the high level requirements of Council to apply the option.

The advice considers the history of the selection and tendering of the Site, examples of other council's land-use for affordable housing, land release and delivery models, and funding and financing opportunities to increase affordable housing in Monash.

Part 2 makes general comments on site selection and EOI processes.

Key Objectives

Options are assessed against the following objectives, developed with the input of Council officers:

PRIMARY OBJECTIVES	SECONDARY OBJECTIVES
High-quality, long-term social housing outcome is realised.	Timely delivery.
Retention of land in Council's ownership.	Provides a financial return to Council.
Council has a level of control over building design outcomes.	
Minimised reputational risk to Council.	
No financial requirement on Council.	

Table 1: Objectives to assess each option against

The analysis highlights a tension between achieving long-term social housing and retaining the land in Council ownership. This is due to the government funding model and the associated requirements of bank lenders for there to be assets to secure their investment against.

There are also time implications of different options, with risks associated with further delays in progressing the site to development.

If Council intends to continue to explore the provision of social or affordable housing on its land, it is recommended it review the objectives and determine what primary objective it wants to achieve, and what it is willing to forego or trade-off - noting the retention of land ownership impacts on potential delivery.

Key Feasibility Considerations

It is critical that when Council assesses options that the funding and financing context is understood as it can impact on project viability. This is explored in detail in Part 1. Of note:

- the delivery of below-market priced housing requires subsidy to meet the difference between rents collected and operating costs, including costs of servicing debt;
- operating costs, including debt servicing, must be met from rents and/or a government subsidy ('availability payments' provided by Federal or State Government);
- access to government grants is limited and is done under a competitive, value for money process;
- provision of debt finance requires the entity (RHA or investor) to own the building or have other sufficiently valued assets to provide security for the lender against should then need to recover funds in the event of significant default resulting in an asset sale. Whilst this is considered unlikely, a bank must prudentially mitigate against this risk;
- 'Housing Australia Future Fund Facility ('HAFFF') is currently the only opportunity for funding. Current allocations require either:
  - a RHA or a private equity partner to own the land and building, with debt servicing of construction finance then supported by a government 'availability payment' over 25 years; or
  - a crisis or transitional housing response, with capital funding currently available and which could be applied to leasehold land, however this will increase the subsidy required and may not be cost competitive;
- tenant income eligibility, targeting and rent setting is established by the funding source; and

- RHAs do not receive funding for wrap-around support services that may be required to support tenants to maintain tenancies and/or improve the quality of their life. Any support services need to be met by other community service providers who can work in partnership with the RHA.

Windfall Gains Tax

It is also noted that the transfer of land will require the site to be appropriately zoned for residential development and that this may trigger windfall gains tax ('WGT') implications. Whilst there may be an exemption sought from the State, this is not guaranteed and could be payable if the land did not end up being transferred to a RHA.

If WGT is payable, Council could seek to pass on the costs to the RHA, however this would require them to seek additional government funding to cover this cost, with a risk that it impacts on project viability.

Recommendations

Council is commended for its efforts to support an increase in social housing and for taking direct action by offering the leasing of the Site for this purpose.

The extensive EOI process and subsequent decline by HousingFirst to proceed with the lease highlights the difficulty in realising subsidised housing, even if land does not need to be purchased or a market rent paid.

Analysis of the models, summarised in Table 2, highlights the difficulties in any single model strongly aligning with all of Council's objectives. It is important to note that:

- the development of the Site could realise a significant number of affordable housing outcomes relative to other actions Council may take, thereby achieving strong social return on investment;
- retaining the Site as passive open space does not achieve an affordable housing outcome; would mean Council and RHA efforts and costs to-date are not translated into affordable housing outcomes; and depends on there being other suitable land if Council continues to want to directly increase affordable housing supply; and
- the attempt to the lease the Site highlighted a range of challenges, particularly that the lease model does not allow for a RHA to secure debt finance, which is a requirement of a RHA accessing government subsidy.

It is recommended Council:

1. Reviews its objectives to determine the primary objective, and what it is willing to accept to achieve a social housing outcome.
2. Determine if a lease model remains the only option Council will support, or if it will consider other options, noting the advice within this Report.
3. Note the analysis of affordable housing delivery options and based on this assessment, do not:
   - continue to pursue a lease option as this has not been successful and is not expected to attract RHA interest due to viability constraints;
   - sell the land at a discount to a RHA or private entity as this is complex and is unlikely to generate a significant financial return and/or scale of affordable housing, and/or attract interest, relative to the potential nominal financial benefit;
   - establish a trust structure model unless Council has the financial resources to establish the Trust and meet operating costs for at least five years; is prepared to transfer land assets from Council; and makes a clear commitment to transferring the Site and other sites into the Trust for affordable housing purposes; or
   - sell the land at market value for 'innovative' housing' as whilst this may achieve new housing supply, it is unlikely to result in dedicated affordable housing unless government subsidy is also secured and will likely attract strong community critique.

4. Consider either transfer of land to a housing agency at nil consideration, noting the benefits and that this option is most likely to result in realisation of affordable housing in Monash or establishment with a RHA of a Joint Venture Special Purpose Vehicle (SPV), noting this requires resourcing and would be a new procurement process.

5. Seek advice to determine if there is a windfall gains tax implication if transferring the land and:

   – whether a State Government exemption can be sought if transferring the land to a RHA; or

   – if no exemption is granted, whether WGT liabilities can be passed onto RHAs from Council and the implications of this on project viability.

Assessment Ranking Summary

	Option 1 – Lease land	Option 2 – Transfer to Trust or SPV	Option 3 – Gift land	Option 4 – Discounted sale	Option 5 – Market sale	Option 6 – Retain open space
ASSESSMENT AGAINST PRIMARY OBJECTIVES						
High-quality, long-term social housing outcome is realised.	Moderate	High	High	Moderate	Low	Low
Retention of land in Council's ownership.	High	Low	Low	Low	Low	High
Council has a level of control over building design outcomes.	Moderate	Low	Moderate	Moderate	Low	N/A
Minimised reputational risk to Council.	Moderate	Moderate	Moderate	Moderate	Low	Moderate
No financial requirement on Council.	Low to Moderate	Low	High	High	High	Moderate
ASSESSMENT AGAINST SECONDAY OBJECTIVES						
Timely delivery	Low	Moderate	High	Moderate	Moderate	N/A
Realises a financial return to Council.	Moderate	Low	Low	Moderate	High	Low

Table 2: Summary of options rating

Raking Legend:

High: Assessed as highly likely to achieve objective.

Moderate: Moderately likely to either achieve or not achieve objective, generally subject to conditions.

Low: Assessed as low likelihood of achieving objectives, and/or greater risks

Part 1: Context

Definitions

Affordable housing is a broad term, defined in the *Planning and Environment Act 1987* ('PE Act') as ***"housing, including social housing, that is appropriate for the housing needs of any of the following - very low, -low, - moderate income households"*** (Section 3AA).

The definition reflects there are a range of housing responses that aim to meet the needs of households who are at risk of, or experiencing homelessness, housing stress, or discrimination in the market and cannot afford market prices.

Figure 1 highlights a broad range of housing models currently operating in Australia, including those that provide a subsided and targeted affordable housing response. Different program responses are summarised in Figure 2.

Figure 1: Housing spectrum, source: Affordable Development

The primary type of Affordable Housing programs in Victoria **is social housing** which is defined under the Victorian *Housing Act 1983* as:

- **public housing** – being *"non-profit housing in the public sector, other than under the Victorian Affordable Housing Programs"* (i.e. Homes Victoria owned and managed housing); and
- **housing owned, controlled or managed by a participating registered agency** – being *"a registered agency that is declared by Homes Victoria under section 142F(2)(b) to be a participating registered agency"*.

RHA's primary focus is on providing rental housing to households that meet the Victorian Housing Register ('VHR') eligibility requirements. Some RHAs also manage broader affordable rental housing outcomes, including for assets owned by investors.

Household eligibility and targeting

Who can access and benefit from a designated affordable housing dwelling depends on the source and terms of the subsidy.

Understanding different program eligibility and priorities is important when considering which households may benefit from affordable housing realised from the development of Council land.

Households that are eligible for affordable housing are, or would be:

- at risk of, or experiencing homelessness; and/or
- in housing stress if paying market prices, or are already priced out of the area; and

- earn below Federal or State Government established income limits and any other eligibility criteria placed on RHAs in receipt of funding; and
- who in addition to income constraints, could be subject to discrimination in the housing market.

Households requiring social housing predominantly receive government income support, or they may be in low paid employment.

There are four key affordable housing program income eligibility limits that apply to households seeking housing assistance in Victoria:

- Victorian Housing Register ('VHR') – Victorian Department of Health, Housing and Families published income limits for households seeking to secure social housing. Applicants are grouped as Priority Applicants or 'Register of Interest' depending on their income and other housing needs;
- Planning and Environment Act affordable housing income limits - Planning Minister published income limits that apply to housing generated under the Planning and Environment Act where no other subsidy is applied and to the Victorian Government's affordable rental program;
- Commonwealth Government – Housing Australia Future Fund Facility (HAFFF) affordable and social housing income limits which apply to projects funded by HAFFF.
- Commonwealth Government affordable housing income limits – applied to privately owned 'Build-to-Rent' developments where the owner accesses taxation benefits in exchange for providing Affordable Housing.

It is important that councils are not prescriptive as to which households and income groups are to be housed as this needs to be determined by the RHA with regards to government funding availability and terms, project delivery and operational feasibility, tenancy management practices, and sustainable community objectives.

Examples of Affordable Housing models

Crisis and Transitional Accommodation and adaptive-use or 'meanwhile housing'

Crisis accommodation is intended to support people in severe crisis as a short term housing response. It includes on-site range of specialist services with a maximum six week stay. Transitional housing provides housing for households that can live independently and who require access to off-site services to support them to maintain a tenancy and improve their life circumstances. Transitional housing is for up to two years. Adaptive use or 'meanwhile housing' is a re-use of an existing building such as offices or a retirement village into short term crisis or transitional housing.

Pictured: Ozanam House crisis housing facility, North Melbourne, VincentCare

Not-for-profit Rooming House / Boarding House

A rooming house, or boarding house, has more than five rooms in a building for rent and residents share facilities, like bathrooms. Once a Rooming House is registered it must abide by the *Rooming House Operators Act 2016*. A not-for-profit run rooming housing will result in subsidised housing. Privately operated rooming houses can charge market rent. There may be un-registered boarding houses operating in a municipality.

Pictured: Richmond House, Richmond, YWCA Housing

Public Housing

Public housing is housing owned and managed by the State Government 'Homes Victoria' agency. Tenants are predominantly very low income households and may have complex needs requiring other support services. Tenants are charged a maximum 25 per cent of income on rent and are not eligible for Commonwealth Rent Assistance. Tenancy is 'for life'. Public housing is the largest type of social housing in Victoria. It includes high rise towers, modern apartments, free standing and semi-attached dwellings.

Pictured: Flemington High Rise

Community Housing

Community housing is housing owned and/or managed by a not-for-profit organisation, primarily registered housing agencies, that is rented to very low to moderate income household at a maximum 30 per cent of their household income, or no more than 74.9 per cent of market rent. Tenants can access Commonwealth Rental Assistance which is paid to the provider in addition to rent.

Pictured: Social Housing for single women, Coburg, Women's Property Initiative

Supported Housing, Disability Housing

Housing that is appropriate for people with a disability. Dwellings may be owned and/or managed by the government, a registered community housing provider, or a private operator. Specialist Disability Accommodation (SDA) is for people under the National Disability Insurance Scheme (NDIS). SDA participants receive a government payment through the NDIS to pay for rent and living assistance.

Pictured: SDA housing provided by Alpha Community Care

Affordable Co-operative and Co-housing

Co-operative and co-housing models in Australia have primarily been delivered and manged as a form of social housing in Australia. In addition to affordable rents, tenants are actively involved in the decision-making in relation to the property maintenance and management. There may also be some shared facilities (primarily in co-operative housing).

Pictured: Murundaka cohousing, Heidelburg

Privately Owned Discounted Affordable Rental

Affordable Housing that is privately owned may be rented at a discount to market rents and allocated to households that meet government defined income eligibility requirements in exchange for the owner receiving a subsidy. Dwellings may be managed by a registered housing agency or the private sector.

Pictured: The Nicholson, Coburg East

Shared Equity Homeownership

Sale of a dwelling to a household that has capacity to borrow funds from a bank but needs support to bridge the gap between their financing and the market price. The difference is met by either government grant, provision of land, or a landowner contribution and is repaid and reinvested on the future sale or refinancing.

Why Provide Council Land

Affordable housing cannot be realised without the availability of appropriately located and priced land. Local Government land can support delivery due to its spatial and locational qualities, potential for uplift in value, and the ability of a council to accept a social return in lieu of a financial payment.

Council assets, including community facilities, open space, car parks (airspace), and vacant land may be suitable for affordable housing.

Direct investment via application of assets or provision of funding is the highest impact and value role a council can play and that significantly enhances the likelihood of affordable housing being delivered in its municipality.

Reasons why a council and a RHA may agree to the development of council land for affordable housing include that it:

- enables direct council action and represents a meaningful contribution towards addressing policy objectives and local housing need;
- maximises the potential of well-located, finite public resources to support socially inclusive, environmentally sustainable housing outcomes;
- takes advantage of land's unique spatial qualities to support social outcomes; and
- provides certainty to a RHA on a project location and opportunity for development, supporting it to be well-placed to secure government investment for construction.

The range of social and economic benefits for governments and individuals are highlighted in Figure 4.

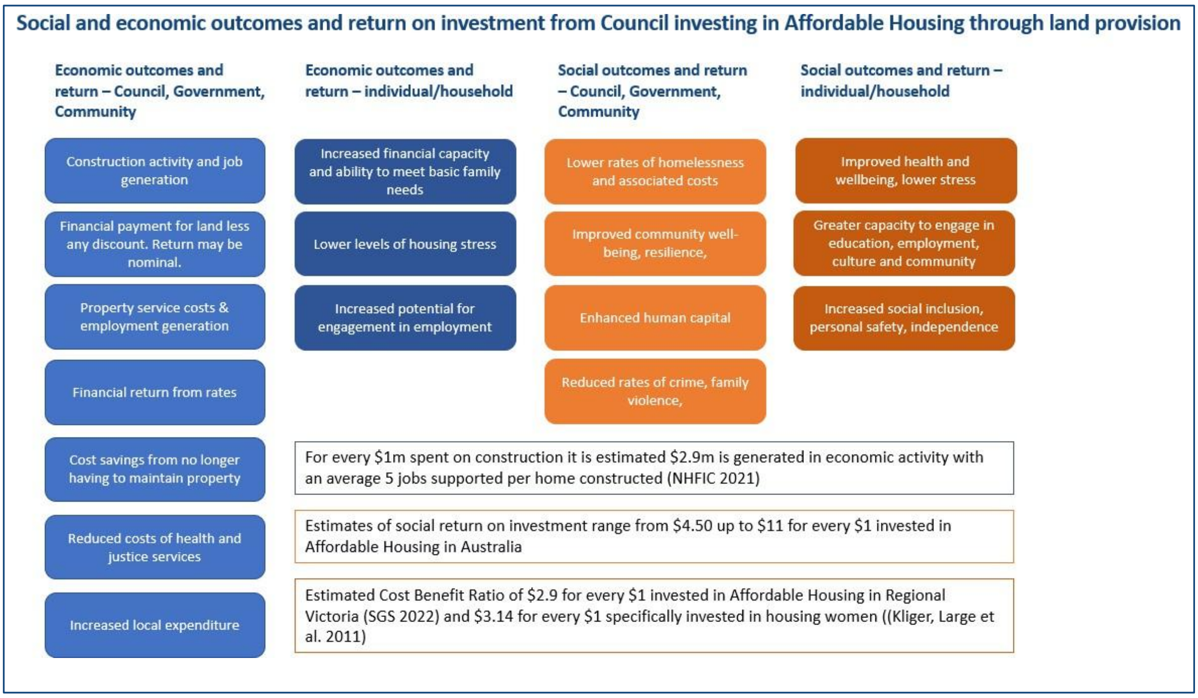

Figure 4: Social and economic outcomes and return on investment for a council investment via land provision

Project Background

Council has actively advocated for and taken several steps to support an increase in affordable housing supply in Monash and the broader East and South-East region. This is reflected in the Monash Social Housing Framework 2020 – 2025; the Regional Local Government Homelessness and Social Housing Charter 2020; and the Monash Affordable Housing Strategy.

In line with these commitments, in March 2021 Council endorsed further investigation of the following Council-owned sites for a potential social housing development:

- 1399 – 1401 Centre Road, Clayton;
- 329 - 333 Waverley Road, Mount Waverley; and
- 65A Power Avenue, Chadstone.

In 2022 Council resolved to seek expressions of interest from RHA's to consider the redevelopment of Power Avenue, Chadstone ('the Site') for social housing (Figure 5 and Figure 6).

The Site was acquired by Council from the Housing Commission in 1970 and whilst it is zoned in public park and recreation, it is freehold land and not reserved on title as open space. It is currently used as passive open space, but Council is able to consider what (if any) future use or development may be appropriate.

Figure 5: 65A Power Avenue, Site aerial view

Figure 6: 65A Power Avenue site frontage, Source: Hayball Architects preliminary site scheme

Council Expression of interest process

The EOI set out Council's approach, being that:

- the successful RHA would construct and manage a social housing development on the Site and provide necessary support services;
- Council would provide the land under a lease of $1 per annum for a 50 year term; and
- Council's specific requirements for the proposal, including timelines and design of the development would be captured in an Agreement for Lease and Lease.

Council received one EOI response from HousingFirst, whose preliminary design prepared by Hayball Architects (Figure 6 and Figure 8) proposed:

- 48 units over three levels comprising 1, 2 and 3 bedroom dwellings;
- 43 car parking spaces;
- 52 bike parking spaces; and
- 280m² of internal communal space and 515m² of external communal space.

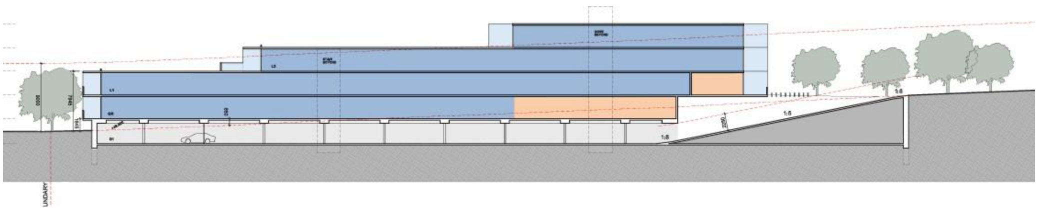

Figure 7: Preliminary Scheme, Hayball Architects, May 2023

In February 2023 Council resolved to proceed with HousingFirst as the preferred RHA partner and to commence community consultation on the proposal. Consultation was held between April and June 2023 and 96 submissions were received.

Figure 8: Preliminary Scheme, Hayball Architects, May 2023

In July 2023 Council noted the outcome of the community engagement process and resolved to commence the statutory consultation process on the proposed lease with HousingFirst, subject to a range of changes to the proposal, including:

- a reduction in the land area to be provided for residential development;
- a reduction in the land available for use at the eastern end of the site and for this land to remain as public open space;
- changes to set-backs, access points, design, landscaping; and
- an increase in the car parking rate for dwellings with a minimum of one car space for each one or two-bedroom dwelling and two car spaces for each three or more bedroom dwellings required.

Following the statutory consultation process, in October 2023 Council resolved to accept a Committee of Council's recommendation to enter into the agreements with HousingFirst, subject to the above changes to proposal.

The lease documentation was finalised in December 2023.

In June 2024 HousingFirst advised Council they were unable to proceed with the lease proposal due to *"the current funding and macro environment and the lack of available capital funding grants"*.[1] A subsequent letter advised:

- the Commonwealth Government's HAFFF funding model required a RHA to finance the entire construction costs, with debt repayment to be supported by a HAFFF provided 'availability payment' over a 25-year term;
- to access debt, HousingFirst needs to provide the lender with security (i.e. land value), which, due to the lease structure, would require HousingFirst to have other property value available ('cross-collatorisation');
- HousingFirst was unable to offer any other properties as security to a lender; and
- increased borrowing costs since the EOI proposal further impacted on project feasibility and debt requirements and risk.[2]

It is understood that Council required changes to the scheme were not considered by Housing First to materially impact on the project feasibility.

HousingFirst provided three alternative options for Council's consideration:

1. Council transfers ownership of the land to HousingFirst upfront.
2. Council provides a financial contribution to support the cost of developing the Site.
3. Council waives the planning requirements to support an increase in yield and reduce development contributions payable.

In August 2024 Council resolved that the alternative options were not accepted as they varied considerably from Council's intent, previous resolutions and conditions. It is understood that the planning dispensation option would not have resulted in any significant improvement to feasibility.

In August 2025 Council engaged Affordable Development Outcomes to advise on options and support Council to determine the next steps.

[1] Letter from HousingFirst to Council, 21 June 2024
[2] Letter from HousingFirst to Council, 27 June 2024

Key Considerations

The following needs to be considered when releasing Council land for affordable housing:

- Council's social and financial objectives and how these can be balanced:
- land-use potential based on site characteristics, planning scheme, housing agency dwelling requirements;
- access to transport and the influence this has on which households will suit the housing and what level of car parking is required;
- Council's non-negotiable requirements;
- RHA objectives and regulatory and commercial requirements to partner, deliver and manage affordable housing;
- government funding criteria and availability - terms can include tenant allocation, rent setting parameters and term of use;
- financing availability and costs;
- availability of other funding, for example, philanthropic funds and terms; and
- tenant cohort priorities and associated income (rent capacity) and other support service requirement.

Legislative Context

Legislation and policies that relate to release and development of council land and the provision of affordable housing include:

Legislation	Policy
• Local Government Act 2020 • Planning and Environment Act 1987 • Housing Act 1983 • Residential Tenancies Act 1997 • Building Act 1993 • Sale of Land Act 1962 • Property Act 1958	• Plan Melbourne • Housing Statement 2024 • Homes for Victorians (2017) • Local Government Best Practice Guidelines for the Sale, Exchange and Transfer of Land 2009 • Victorian Government Land Use Policy and Guidelines 2017

Table 3: Key legislation and policy informing release and development of council land

The ***Local Government Act 2020*** ('LG Act') establishes the legislative responsibilities in relation to the disposal of a council's property. It provides for a council to transfer, sell or lease land (with leases provided for up to maximum 50 years), subject to the council:

- publishing a notice of intention to dispose or lease land;
- undertaking a community engagement process (unless selling to a designated public body specified in the Act); and
- securing an independent valuation of the land within 6 months of the transaction.

The LG Act also provides for a council to:

- participate in a 'beneficial enterprises' including becoming a member of a corporation, participate in the formation of a trust, or enter a partnership or joint venture;
- transfer, sale or lease of land 'without consideration';
- apply exemptions from public notice if a council is disposing of land to the State Government; trustees appointed under an Act to be held on trust for public or municipal purposes; or a public authority specified in the Act such as a hospital; and

The ***Planning and Environment Act 1987*** ('PE Act') establishes the legal framework for planning the use, development and protection of land in Victoria.

The objectives of planning include *"to facilitate the provision of affordable housing in Victoria".*

The Act does not mandate affordable housing as a requirement of planning; however, objectives and strategies are set out in both Victorian and Local Planning Policies.

As of October 2025, Clause 53.23 and the Development Facilitation Program ('DFP') assessment pathway is the preferred approval process for the development of affordable housing by landowners and developers and RHAs as it provides a streamlined and fast-tracked assessment process and no third party appeals, thereby reducing time, risk and cost. Landowners can also seek approval for a combined planning scheme amendment and permit under the DFP program.

Funding and Financing Affordable Housing

Delivery of affordable housing requires the costs of land and development to be met, and for the rental revenue to be sufficient to cover operating costs, including costs of servicing and repaying any debt finance that is secured to fund construction.

The costs of developing and managing this form of housing include:

Land and remediation	Project planning (design, planning, feasibility, funding securitisation)	Financing (interest)	Construction
Tenancy Management	Ownership costs (rates, insurance, Owners Corp)	Asset management and maintenance	Compliance

Sources that can contribute to meeting costs include:

Rental income	Government funding (grants)	Gifted or discounted or leased land	Housing agency equity (savings)
Philanthropic grants	Planning incentives (developer contributions)	Gifted or discounted properties	GST recovery on costs

Meeting these costs requires subsidy from government.

The ability for a RHA to deliver affordable housing and the level of subsidy that is required is determined with regards to:

- cost of land and construction or the price to acquire completed dwellings;
- the costs to manage the dwellings over time, including cyclical and long-term maintenance;
- the revenue that is received from rents (which is informed by the target household cohorts, their income capacity and the rent-setting policy);
- time and risk; and
- and the availability and terms of funding and financing.

The primary way to meet the costs is by a RHA:

- applying savings (equity);
- developing its own land or land purchased at a below-market price;
- securing grant funding, where conditions apply to the use of funds and repayment is only required if there is a significant breach of the agreement;

- applying their charitable tax status to recover GST paid on construction; and
- securing of debt finance where interest costs are payable over the term and repayment of the principle occurs at the end of a defined period.

Key funding considerations

The following is critical for Council to understand when considering the provision of land for affordable housing:

- the delivery of below-market priced housing requires subsidisation to meet the gap between costs and rent, noting that tenants are not charged market rent;
- the level of subsidy is greater where a 'social housing' outcome is sought as it results in a higher percentage of very low income households being housed with a corresponding lower revenue from rent due to the rent setting model;
- operating costs including tenancy and asset management, rates, insurance, debt finance costs and maintenance all need to be met from rents and/or provision of a subsidy;
- the costs of acquiring land and construction are high and must be met through a RHA owning or acquiring or leasing land at below-market rates, government and/or philanthropic grant funding, RHA equity (cash reserves) and/or application of debt finance;
- Government grants are provided in the form of:
  - upfront capital grants, which enable purchase of land or part or all the construction costs to be met; and/or
  - 'availability payments' where grant funds are provided quarterly for a defined period (25-30 years), with the expectation these payments are applied to service debt finance that was used to meet construction costs.
- the level of debt financing a RHA can secure is significantly lower than if a private investor was purchasing and renting a dwelling at a market return;
- whilst surplus rental income can be used to service debt financing, there needs to be sufficient profit demonstrated after costs, including any debt costs, due to the requirement of lenders to have confidence of the RHA's debt repayment capacity;
- accessing debt finance requires a RHA to meet loan conditions, particularly to have sufficient interest coverage (revenue to cover interest costs), and to provide land/assets as security for the borrowing;
- access to government grants is limited and is done under a competitive, value for money process where a RHA needs to prove alignment to a range of government criteria, including tenant allocation priorities locational factors, feasibility and delivery-readiness;
- Commonwealth and State funding commitments are limited with high demand;
- the structure of the availability payment means that either a RHA or a private equity partner needs to own the land and asset to borrow against to finance construction. This does not work under a lease model unless the RHA has sufficient other assets to leverage and determines that the project is the best value for its investment;
- other funding sources such as channelling development contribution to the project could improve viability; and
- RHAs do not receive funding for wrap-around services therefore these services need to be met by other community service providers in partnership.

Current Funding Opportunities

As at 4 May 2026 there were three potential government funding sources for affordable housing:

Funding or Financing Program	Focus	Funding structure	Timeframes
Housing Australia Future Fund Facility (HAFFF) – Crisis and Transitional Funding	Crisis and transitional housing	$100 million nationally. Upfront capital funding grants to RHAs for 25 years of housing outcomes.	Applications open now and can be submitted any time – EOI then funding submission if shortlisted.
Housing Australia Future Fund Facility (HAFFF) – Social and Affordable Housing	Affordable rental housing (discounted market); and Social Housing (income based rent)	Total funds $10 billion nationally. Availability payments for 25 years of housing outcomes, paid quarterly. Grants to RHAs or special purpose vehicles involving private investment and RHA management.	Round 1 and 2 closed. Round 3 opened and was immediately oversubscribed. Invitations for detailed funding submissions have been issued to shortlisted applicants.
Victorian Government Social Housing Growth Fund	Social housing and public housing renewal	$5.3 billion (Victoria). Previously capital funding. Recent funds were allocated on an availability payment model, paid quarterly.	Current funding allocated. 2026 Budget commitment to an additional $890 million has been announced. Timing and structure of funds is unknown.

Table 4: Funding for affordable housing

There are also limited philanthropic funding opportunities for RHA to access that can be used to meet construction costs.

Crisis and/or Transitional Housing Considerations

Crisis and transitional housing provide shorter term housing responses to people in crisis or transitioning from crisis housing to social or private rental and who required support services to maintain their tenancy.

The HAFFF crisis and transitional housing program is the only current funding source for crisis or transitional housing and comprises a total $100 million to be applied nationally. Applications are assessed through a two-phase process (EOI then detailed submission) and are assessed on an 'as received' basis.

The funds are provided as capital grant funds. This means a RHA does not need to borrow funds for construction and that a lease model could work, although RHA debt finance or other contributions are still encouraged and increase the likelihood of funding.

The Victorian Government is involved in the assessment, and both governments require assurance as to how support services, typically 24/7 on-site staffing, would be funded, noting that there is no new funding available for supports.

This report has not undertaken a detailed analysis of the potential for a crisis or transitional housing response.

Should Council only be willing to provide the land under a lease then a crisis or transitional housing facility may be the only affordable model that can secure funding.

Delivery of this form of housing will have a significantly different design and tenant outcome. Critically, if there are no longer term social housing outcomes for households to transition to then people may find themselves homeless again or in crisis. For this reason, it is understood many RHAs do not manage crisis or transitional housing, and some people elect to not go into a crisis housing facility if it is the only option given it is highly monitored living situation with limited permanent housing pathways.

It is recommended that if Council was open to this form of housing that it discuss this with the limited number of RHAs participating in crisis housing delivery before determining whether to proceed.

Land related financing and funding considerations

Land provision has a critical role in the provision of affordable housing and has a direct link to the level of funding and financing that is required and can be secured.

Gifted, unencumbered ownership of land by a RHA is optimal as the RHA:

- doesn't require the sourcing of funds to enable land acquisition;
- can use the land as security for bank financing; and
- can use the land value as an equity contribution – further reducing the subsidy required from government.

If the specific project land is not owned by the RHA, then they need to draw on its wider property portfolio value to secure finance ('cross-collateralisation').

RHA's capacity to secure finance against their land portfolio increasingly difficult as governments have, for several years now, required RHAs to borrow funds to support project delivery. This has required RHAs to utilise their land assets as security. As this value is limited it is understood most RHAs have maximised their cross-collatorisation capacity.

Land provided under a lease arrangement, even at a peppercorn rate, cannot be used as security for financing as the bank cannot take control of the land and sell it if the RHA was unable to meet the debt obligations.

Therefore, whilst the land has a value and it can be represented to governments as part of the 'capital stack' / feasibility for a project – reducing the cost to government, it is not given weighting and cannot be used for the purposes of securing financing.

A key implication arising from a lease is that a RHA needs to source other funds or seek a higher contribution from government for a project.

Hypothetical Feasibility Example

This hypothetical illustrates the difference in government funding that would be required if land for a 10 unit project was leased to a RHA, versus where land is gifted and owned by the RHA:

Item	Land owned by housing agency	Land leased by housing agency
Number dwellings	10	10
Costs and Value:		
Land Market Value	$3,000,000	$3,000,000
Construction Cost	$6,000,000	$6,000,000
Development Margin ('profit') (if 16% of cost) *Note: hypothetical margin required to be demonstrated for financing even if no profit realised by RHA.*	$1,000,000	$1,000,000
Gross Realised Value (GRV) (market value of development at completion)	**$10,000,000**	**$10,000,000**
RHA inputs to meet Gross Realised Value:		
Land Market Value	$3,000,000	$3,000,000
RHA GST recovery on costs	$600,000	$600,000
RHA debt finance (if 16% construction cost)	$1,000,000	**$0**
RHA notional capture of development margin	$1,000,000	$1,000,000
Total RHA Contribution	**$5,600,000**	**$4,600,000**
Funding Gap (government grant or philanthropic)	**$4,400,000 (44% of GRV)**	**$5,400,000 (54% of GRV)**
Government grant per housing outcome	***$440,000***	***$540,000***

Table 5: Hypothetical development scenario

In this hypothetical, under the current Government availability payment funding models, the RHA would need to borrow $5.4 million to meet total construction costs (after accounting for GST recovery and assuming no equity available). They would then need to apply all available rental surplus and the availability payment ($4.4 million provided across a 25 year term, indexed) to service this debt.

If debt cannot be applied as is no land for security, then the availability payment model does not work, and the RHA would require a capital grant of $5.4 million – representing a ten per cent increase compared to a model where they can access finance. This is a significant difference in a competitive funding environment.

Wrap-around support services

Households residing in affordable housing, particularly social housing, may have a range of complex needs and circumstances that necessitate health, welfare, justice, employment and/or educational support services. These can be important to a household successfully maintaining a tenancy but are not provided by the housing agency, instead delivered by other not-for-profit charities, councils or private entities.

Funding for support service provision in Victoria is determined by Federal and State Governments separate to decisions to fund new affordable housing provision.

Due to the separation of funding, a RHA cannot commit to providing or ensuring that wrap-around support services will be provided to residents in a development. Instead:

- tenancy managers often have a social service background and will provide information on services to households where support needs are identified;
- some RHAs may also be part of larger organisations that has entities providing these services (for example Salvation Army); and
- in some limited instances a RHA has been able to fund a tenant liaison / support officer to assist households to connect to appropriate services in the community - this requires the RHA to be operating at a significant scale and have surplus funds available and directed to this purpose.

Council will need support accommodation provision without any guarantee of wrap-around service outcomes being delivered by the RHA if it wants a project to proceed. Supporting a broader affordable rental housing outcome that provides for a greater mix of income profiles is a potential way of lowering the level of support services and supporting a more diverse community within a development.

Setting design and planning conditions

As the current landowner Council can require conditions on the Site's development to be met as part of an agreement with a RHA or a developer. Requirements relating to use can also be set out in a Section 173 Agreement placed on the land by Council prior to the sale, requiring the purchaser (i.e. RHA) to accept the conditions as a requirement of the land transfer. The Section 173 Agreement runs with the land and requires the parties to the agreement to agree to any changes.

There is a potential risk that planning approval by the Minister for Planning or the Department of Transport and Planning could differ from conditions set or sought by Council. Where an approval from the State conflicts with the Section 173 Agreement between Council and the RHA, Council will have to seek legal remedy to enforce the Section 173.

Council can seek to mitigate this risk by:

- preparing and placing a Section 173 Agreement on the land prior to it transferring, noting this can be done as the Council is both responsible authority and landowner
- seeking that it be party to any revised Section 173 Agreement noting this has occurred in other instances where the Minister is the planning authority but would require State support;
- minimising which conditions are critical / mandatory to Council releasing the land;
- maintaining ownership of the land until permit conditions are met; and
- engaging with the State Government and seeking their support for Council conditions, highlighting the Council conditions are essential if the land is to be developed.

Part 2: Site Options Analysis

Options

The following options for Council are assessed:

Option
1. Lease land to a RHA for a 100% social housing development.
2. Land placed in a Trust or Special Purpose Vehicle, developed and managed by a RHA for 100% social housing development.
3. Land disposal at nil consideration to a RHA for a 100% social housing development.
4. Land disposal at a discount, to either: 4.1 A RHA for a social housing development 4.2 A for-profit developer or investor in partnership with a RHA for a social and/or affordable housing development.
5. Land disposal at market value for a market priced innovative housing development. No affordable housing.
6. Retain land as vacant land. No affordable housing.

For each option, the Report:

- summarises the option and the key characteristics;
- outlines key benefits and challenges from both a council and housing agency perspective;
- summarises key risks associated with the option and potential mitigations;
- provides examples of where the model has been applied; and
- sets out the high level requirements of Council to apply the option and support resulting affordable housing delivery.

Objectives and Ranking

Each option is assessed against the following primary and secondary objectives, developed with the input of Council officers, and rated as a 'low', 'medium' or 'high' likelihood of achieving the objective:

PRIMARY OBJECTIVES	SECONDARY OBJECTIVES
High-quality, long-term social housing outcome is realised.	Timely delivery.
Retention of land in Council's ownership.	Realises a financial return to Council.
Council has a level of control over building design outcomes.	
Minimised reputational risk to Council.	
No financial requirement on Council.	

Option 1: Land lease to a RHA for a 100% social housing development.

Overview

This option entails Council providing the land under lease to a RHA to develop and manage the resulting housing tenancies and assets. A lease could be at a discount to market rent, or for effectively nil return ('peppercorn lease', i.e. $1 per annum). This is the option Council sought to apply.

Council retains title to the land and at the end of the lease term the land, and depending on the terms of the lease, any assets constructed or brought onto the land, revert to council control or must be removed from the land unless a new lease or a sale agreement is reached.

A lease agreement can be for a maximum 50-year term under the Local Government Act.

The primary reason why a council may seek to retain the title to the land is that it does not want to risk a RHA selling the land in the future and the social outcome and land value potentially being lost to the community. There may also be other council assets being delivered on the site, necessitating the council requiring control the entire land area, particularly to maintain its right to determine future site redevelopment.

Leasing can be a useful option where the affordable housing is a short to medium term outcome. For example, VicRoads land set aside for a potential future (non-committed) road widening was leased for a five year period for relocatable social housing units in Maribyrnong.

Leasing of land is not a preferred model of RHAs as it does not provide the same benefits as models where they hold the title to the land, and importantly, they cannot use the land value to secure investment and therefore require either other assets as security or a greater level of government subsidy. A council could also agree to providing the land as security. This is understood to be one approach being taken by one Council; however it is noted that reaching agreement on terms has been difficult.

Leases can also result in a range of responsibilities for the RHA that increase risk and potential future costs without the benefit of long-term ownership.

Key Benefits and Disadvantages

Key benefits and disadvantages of this option for Council include:

Benefits	Disadvantages
Social housing outcome is maximised, realising a significant social benefit in the municipality.	Less attractive to RHAs and may not result in a successful outcome as land cannot be used as security for borrowing and therefore additional grant funds are required.
Land is retained in Council's ownership.	Land is only guaranteed to be retained in a social housing purpose for the lease period (up to 50 years). Reputational risk.
Council has greater control over land use and development outcomes.	Loss of vacant land used by community as informal open space / walking track.
Not dependent on market sales or driven by developer objectives.	Council may have some responsibilities relating to land use if the development includes council spaces (i.e. public car parks).

Key benefits and disadvantages of this option for a RHA include:

Benefits	Disadvantages
Supports realisation of social housing (subject to funding).	Impacts on feasibility and delivery, as funders are unwilling to accept leasehold interest as security for a loan, impacting on the availability of debt finance and increasing subsidy gap / funding requirements.
Rights to develop without having to source funds to purchase the land.	Required to significantly invest in construction and maintenance of the asset over time without ownership of land or future redevelopment potential.
Not dependent on market sales or driven by developer objectives.	Risks and costs associated with needing to support tenants to vacate at end of the lease term.
	Loss of social housing at the end of the lease period. Reputational risks.

Key Risks and Potential Mitigations

Key risks and potential mitigations of this option include:

Risk	Mitigation
Development is not feasible as the land is not able to be used by the RHA to secure borrowing, which also impacts on grant funding requirements and likelihood of funding support.	• Select a RHA that has other assets it can leverage and borrow against for finance. • Consider Council providing the land as security. • Council engagement with State Government to seek in-principle commitment to funding prior to EOI.
RHAs are not interested in tendering and developing the housing as their investment does not provide them with land ownership and a long-term outcome relative to dwellings they own.	• Minimise EOI requirements and work with a preferred RHA to co-invest in design phase (reducing upfront cost burden and incentivising partnership).
Risk of public criticism at the end of the lease term if the lease is not renewed and tenants are forced to move and the building repurposed or sold.	• Future Council can consider a lease extension. • Communication plan to be implemented prior to the end of the lease.
Council may inherit a building requiring considerable work at the end of the lease term.	• Council and RHA to agree to standard of dwellings at end of term, and (future) Council to make budget allowances for maintenance when assets are returned.
Potential for legal challenge if tenant leases are terminated due to Council possession at end of term not meeting Residential Tenancies Act reasons for rental agreement terminations at the time of lease.	• Plan to be developed at time and with regards to statutory obligations concerning terminations of resident leases.

Examples

Council sought to apply this model to the Site, which has not resulted in successful delivery.

Examples where the leasing of council land has resulted in development are highlighted below. Key differences that are understood to have enabled these case studies compared to the Monash Council project include:

- government funds being provided as capital grants which did not require the RHA to secure and apply 100% construction finance – the model that is now being applied by governments;
- RHA owning other assets that could be used as security for the debt finance, supporting the availability payment model and reducing the level of government funding that is required;
- lower construction costs at the time of the projects which subsequently reduced grant requirements;

- availability of philanthropic funds; and
- RHAs having now taken on significant borrowing which has required RHAs to provide assets as security, subsequently impacting on their capacity to take on debt for future projects unless the land is owned by the RHA.

It is understood that in both Council's process, and other council EOIs, typically only one RHA has submitted a tender, reflecting the limited interest and capacity of agencies to deliver under a lease structure.

Whilst these challenges impact on the viability of a lease model, in November 2025 the City of Melbourne announced it will be leasing land to a RHA for a key worker project. No details have been released therefore it is unclear how the project will be financed. Understanding that project structure could further inform whether a lease model is viable for the Power Avenue site.

Council	City of Darebin
Land Model	Lease
Housing Agency	Housing Choices Australia
Status	Completed
Summary	Following an extensive process of site selection, tendering and assessment, and community consultation, Darebin City Council resolved to lease land at 52-60 Townhall Avenue, Preston, which was used as a public carpark to RHA, Housing Choices Australia (HCA), for development and use as affordable housing and replacement of public car spaces. 50-year lease term. Comprising approximately 1,140 m2, the completed development comprises: • a six-storey apartment development comprising ground floor car parking and community space/office and 39 Affordable Housing dwellings; • public car spaces and one accessible resident space; and • a public pocket park.  HCA is obliged under a lease agreement to use the site for the purpose of affordable housing for a 50-year term for a peppercorn rate and had to develop and provide the community car spaces. Funding from the Victorian Government Social Housing Growth Fund was secured by Housing Choices Australia. Council was also successful in attracting a $1 million grant from the Lord Mayor's Charitable Foundation (LMCF), which was paid to HCA to support construction costs.[3]

[3] https://yoursay.darebin.vic.gov.au/affordablehousingpreston

Council	City of Banyule
Land model	Lease
Housing Agency	Launch Housing
Status	Completed
Summary	Banyule City Council acquired a former school site and subsequently undertook a master planning exercise, resulting in the rezoning of the land for residential use. A large portion of the site was sold to a residential developer. Approximately 1,000 m2 of the site remained in council ownership and was released via tender to Registered Housing Agencies to lease. Following an assessment process Launch Housing was selected to enter a 50-year lease providing for the redevelopment of the site into a four-storey affordable housing development. Launch Housing received State Government funding of $18 million towards the $25 million development. The site was developed into 58 units over four-storeys, comprising a mix of studios, 1 and 2 bedroom units; a basement carpark with 43 spaces; 250 m2 communal ground floor space; 270 m2 communal rooftop green space and a small office space.[4] 

Agency	State Government, VicRoads
Housing Agency	Launch Housing
Status	Completed
Summary	The project involved the leasing of nine parcels of vacant land owned by State Government authority VicRoads in inner-western Melbourne to Launch Housing, enabling it to build and locate 57 transportable homes on the sites for people at risk or experiencing homelessness. The houses are compact, studio dwellings with a mezzanine bed and a small component of private open space. The land is provided on a 5-year lease with a further 5-year renewal option. 12 months' notice will be given if VicRoads requires the land back. At the end of the lease, Launch Housing will be responsible for detaching and moving the homes. Each dwelling is built with a long-term lifecycle in mind to enable relocation if that is required before the end-of-life of the dwelling. Planning permits were unanimously approved by Maribyrnong Council but were subsequently called in and approved the Minister of Planning following resident appeal to VCAT. Construction totalled approximately $156,000 per unit (2020$) and were funded with a $4 million philanthropic investment from Harris Family Foundation, $3 million State Government investment through the Victorian Property Fund and $2 million Launch Housing reserves.[5]  

[4] https://shaping.banyule.vic.gov.au/Bellfield/social-housing
[5] https://www.launchhousing.org.au/road-map-affordable-housing/

Assessment

OBJECTIVES		RANKING
	PRIMARY OBJECTIVES	
High-quality, long-term social housing outcome is realised.	• Achieved for period of lease (up to 50-years), then the future use is to be determined by the Council at that time, with no guarantee of ongoing use as affordable or social housing. • May require mix of social housing and other forms of affordable rental housing to make viable.	Moderate
Retention of land in Council's ownership.	• Achieved.	High
Council has a level of control over building design outcomes.	• Potential to be achieved through development agreement requirements	Moderate
Minimised reputational risk to Council.	• Degree of risk as Council retaining land may result in community expectations that Council has responsibilities relating to land use and tenancy management. • Future reputational risk for Council if tenant leases are terminated at the end of the lease term.	Moderate
No financial requirement on Council.	• May require council financial contribution in addition to peppercorn lease if RHA cannot apply borrowing and does not secure sufficient government funding.	Low to Moderate
	SECONDARY OBJECTIVES:	
Timely delivery	• Low as requires a new EOI process to procure a housing agency to lease the site.	Low
Realises a financial return to Council.	• No immediate to long-term financial return. Council holds land value on books. • Potential for a financial return when land reverts to Council control at the end of the lease term as it can then be then sold.	Moderate

Steps to Progress

If this option was preferred, it is recommended Council:

1. Engage with City of Melbourne to understand how they are expecting a recently announced lease arrangement to be financed.
2. Consider whether there are financial resources Council can provide in addition to the land to improve project feasibility, or whether Council can provide the land as security.
3. Determine which Council design requirements are critical and non-negotiable and:

    3.1. Provide HousingFirst with an opportunity to re-assess their interest in a lease structure, noting any revised Council design requirements;

3.2. Subject to HousingFirst's response, re-test RHA interest in a lease through a limited EOI process that highlights Council's minimum design requirements but does not require detailed design or feasibility. If more than one RHA responds, consider benefits of a single-stage selection versus a second stage Request for Proposal process requiring more information including a concept and feasibility.

4. Subject to step 1 identifying a RHA that will engage on a lease basis, work in partnership to refine and confirm a feasible design and to undertake actions to secure government funding.

5. Provide an update to the community. If a new RHA and scheme is proposed - undertake community engagement, noting that the community ability to influence design will need to be limited as changes will impact on feasibility. Engagement should clearly communicate why the scheme scale and form is proposed and emphasise Council's objective to maximise realisation of social outcomes for the community whilst maintaining land ownership.

6. Review and execute the agreement to lease.

7. Progress actions under the agreement to support planning approval, delivery and lease agreement execution.

Option 2: Land placed in a Trust or Special Purpose Vehicle, managed by a RHA for 100% social housing development.

Overview

This option entails either:

1) Council establishing a Trust for the purpose of owning and managing affordable housing, appointing a RHA as Trustee, and transferring land assets to the Trust and Trustee for it to develop and manage; or
2) Council entering a Joint Venture with a RHA and co-establishing a Special Purpose Vehicle (SPV) for the purposes of owning and managing affordable housing, with the RHA undertaking services on behalf of the SPV.

Council does not retain title to the land in either option as the land is needed to be placed in the Trust or SPV in order to leverage it for debt finance and funding. As the Trust or SPV purpose would be to deliver affordable housing in Monash there is however strong protection of the long-term land use for this purpose.

Governance under both models is via an independent Board. In the case of the SPV the Directors are to be appointed by the Council and the RHA (50% each). Whilst Council can appoint the initial members to the Trust, once appointed, Directors of a Trust or SPV must act in the interests of the Trust, not Council.

The key difference is that a Trust could have multiple sites and developments under its control whereas typically a SPV is established for a single project. In both instances the assets are separate from Council or RHA direct ownership and risk sits within the vehicle.

The RHA would be engaged on a service fee arrangement to then act for the Trust or SPV to develop sites, including securing funding and financing, and to manage the resulting asset and tenancies. As the Trust or SPV has the land title it can leverage the land value to secure debt finance. This debt will still be limited to a percentage of the land value due to loan-to-value coverage required by financiers.

Establishing a Trust is a complex and expensive exercise. It has been applied on a limited basis in Victoria, primarily by the City of Port Phillip and more recently by City of Hobson Bay. It is more beneficial if there are several sites that a council wants to provide into an affordable housing purpose. It needs to be weighed up against the option and associated risks and benefits of transferring the land directly to the RHA.

Establishing a Joint Venture Special Purpose Vehicle also requires resourcing but is less complex than a Trust. It is an increasingly common vehicle for arrangements between RHAs and investors and has been supported by State and Commonwealth Governments as a structure for funding and financing application.

Key Benefits and Disadvantages

Key benefits and disadvantages of this option for Council include:

Benefits	Disadvantages
Social housing outcome is maximised, realising a significant social benefit in the municipality.	Low RHA interest in Trusts as they do not own the asset and are responsible for managing risks associated with delivery and management on behalf of the Trust. May not attract any RHA to manage.
Land is retained in a municipal housing trust or a site specific SPV, with a specific purpose to deliver affordable housing in the LGA or on the site.	Land is transferred from Council ownership to Trust or SPV.
Council may appoint directors to the Trust Board or SPV; however, they must then act in the interests of the Trust or SPV.	Loss of public open space.

Benefits	Disadvantages
Not dependent on market sales or driven by developer objectives.	Council has no direct control over development outcomes once assets are transferred to the Trust or SPV, although 50% of Directors would be nominated by Council.
SPV model has been supported by governments as an acceptable vehicle to apply funding and financing.	Trust is complex and costly to establish and establishment and operations needs to be funded by Council until developments generate a return.
	Trust or SPV will not have other assets to leverage initially. Depending on land value, ability to finance against the land may be low.

Key benefits and disadvantages of this option for a RHA include:

Benefits	Disadvantages
Supports realisation of social housing (subject to funding).	Trust requires considerable resourcing by RHA. Risk that management fee is not sufficient to meet costs.
SPV structure results in RHA having 50% director positions.	RHA does not directly own the asset and is only operating on a management agreement, which could be reviewed by the Trust Board and terminated.
RHA as Trustee can utilise the land value as security for borrowing and to support attraction of government funds (improved feasibility and likelihood of delivery).	
Management of development and outcomes without having to source funds to purchase the land.	

Key Risks and Potential Mitigations

Key risks and potential mitigations of this option include:

Risk	Mitigation
RHAs are not interested in managing a Trust on a fee-for-service basis.	• Test RHA interest with a simple EOI before progressing further.
Risk of public critique at Council for transferring the land asset from Council to a Trust or SPV, and expectation of Council control over tenancies.	• Undertake necessary community engagement and utilise opportunity to explain trust structure and benefits.
Trust model is expensive to establish and manage and only viable if it holds multiple assets that generate sufficient return to cover operating costs of Trust.	• Gauge costs of establishment and management before proceeding. • Determine and commit to minimum 5 year operational budget. • Identify and commit to a number of assets being transferred to the Trust.
Board of Directors are not satisfied by RHA management as Trustee, but no other RHAs are interested in role.	• RHA and initial Board of Director election to consider alignment. • Put in place sufficient steps to enable monitoring of RHA performance and early identification of any issues.
RHA decides in the future to not continue as Trustee and no other RHAs are interested.	• Put in place governance and management processes to support positive and ongoing communication between Board and Trustee.
SPV needs to sell asset to meet debt.	• SPV purpose will require any proceeds of sale to be reinvested in similar purpose, i.e. affordable housing in Monash.

Example

Council	City of Port Philip
Housing Agency	**HousingFirst**
Status	**Completed**
Summary	City of Port Philip has a long history of facilitating the development of Affordable Housing across several land assets which have been placed in the City of Port Philip Housing Trust, managed by RHA, HousingFirst (previously Port Philip Community Housing). Delivered projects include: • **Kime Place, Port Melbourne (completed 2012)** A 27 unit community housing project developed in 2012 by Port Philip Housing Association in air space over a replacement council car park. Resulted in a two-lot subdivision with the Trust owning the dwellings and the City owning the carpark. • **Inkerman Oasis (completed in stages 2003 - 2012)** Gifting of a former council depot to a private developer for development of a total 262 units, in exchange for the development and transfer of 28 community housing units (mixed with private dwellings) back to council for use as Affordable Housing at no cost in exchange for the council providing the land and in addition to a broad range of design deliverables. An additional three units were funded by the State Government. All 31 Affordable Housing dwellings are owned by the Trust and managed by HousingFirst. In April 2026 it was reported that HousingFirst is selling the units due to operational viability challenges and to reduce debt. • **Marlborough Street (completed 2022)** Council gifted approx. 1,800m2 of land used as a carpark to Port Philip Housing Trust in exchange for it being developed as 46 Affordable Housing units and development of a basement carpark and expanded nearby Balaclava Walk – the latter remaining council's responsibility. The project was valued at $23m (2020$) with land comprising $7 m or $5 m when adjusted to account for the public carpark. HousingFirst secured $22 m grant from the State Government.  

Assessment

OBJECTIVES		RANKING
	PRIMARY OBJECTIVES	
High-quality, long-term social housing outcome is realised.	• Realised once Trust or SPV is established, assets transferred, and funding secured.	High
Retention of land in Council's ownership.	• Not achieved, however land is retained in Monash due to Trust or SPV purpose.	Low
Council has a level of control over building design outcomes.	• No direct control once asset is transferred to the Trust or SPV. Director positions provide some indirect control. Council may be able to influence in development phase if assets only transfer post planning approval.	Low
Minimised reputational risk to Council.	• Degree of risk as Council will need to transfer the land to Trust or SPV.	Moderate
No financial requirement on Council.	• Trust will require council financial contribution to establish and fund management until development is realised and generates a return sufficient to meet operating costs. • SPV will require resourcing to establish.	Low
	SECONDARY OBJECTIVES:	
Timely delivery	• Establishment of a Trust and appointment of a RHA will take considerable time which will impact on timeliness of realising outcomes. • SPV is easier to establish with RHA examples able to be drawn on.	Moderate
Realises a financial return to Council.	• No financial return.	Low

Steps to Progress

If this option was progressed, it is recommended that before electing to proceed with the Trust or SPV establishment and process to select a RHA Trustee, Council:

- seek advice to determine if there is a windfall gains tax implication if transferring the land, Whether WGT liabilities can be passed onto RHAs from Council, whether a State Government exemption can be sought and how RHAs are dealing with WGT implications in the current environment and if they have an ability to pay such costs if exemptions are not granted;
- undertake detailed due diligence on the process, costs and risks associated with establishing and operationalising a Trust or a SPV;
- engage with Hobson Bay and City of Port Philip as two councils that have pursued this approach to understand their experience, costs, resourcing requirements, challenges and outcomes;
- test RHA interest in supporting a Trust or SPV arrangement;
- identify other land assets that may be suitable for development and that Council would consider transferring to the Trust; and
- if looking to proceed, undertake community consultation on the concept.

Option 3: Land disposal at nil consideration to a RHA for a 100% social housing development.

Overview

This option entails Council transferring at nil consideration ('gifting') the land to a RHA for development and use as social housing. This results in the title being vested with the RHA at development completion, and the future use of the land to depend on the RHA's requirements and any conditions established in a Section 173 Agreement.

A RHA can use the land value and title as security for borrowing and to support an application for government funding. Transfer of ownership at nil consideration results in a lower subsidy being required compared to other options.

A development agreement between Council and RHA and a Section 173 Agreement that is registered on the land can direct the design and delivery requirements and the use of the land over time. As a not-for-profit socially driven entity, a RHA is expected to seek to retain ownership for as long as possible. However, in the future they could seek approval to change any conditions. Council would need to ensure they were a party to this agreement particularly if they were not the planning authority.

Key Benefits and Disadvantages

Key benefits and disadvantages of this option for Council include:

Benefits	Disadvantages
Social housing outcome is maximised, realising a significant social benefit in the municipality.	Land is transferred from Council ownership
Land is retained in a social housing purpose for as long as the RHA owns the site, expected to be a minimum 25 years and likely for the life of the building.	Council's control over the land use could be diminished if the RHA seeks to change the Section 173 agreement requirements.
Transfers all ongoing landownership obligations and risks from Council.	Loss of public open space.
Not dependent on market sales or driven by developer objectives.	

Key benefits and disadvantages of this option for a RHA include:

Benefits	Disadvantages
Supports realisation of social housing (subject to funding).	Restrictions on title and use may impede securing of finance.
RHA can use the land value as security for borrowing and to support attraction of government funds (improved feasibility and likelihood of delivery).	
Long-term social housing provided with future redevelopment potential controlled by the RHA.	

Key Risks and Potential Mitigations

Key risks and potential mitigations of this option include:

Risk	Mitigation
Community do not support the transfer of land, particularly for no financial return. Associated negative media.	• In electing option, Council to place weight on achieving of social outcomes for the community. • Communication plan to be put in place on why transfer is required to achieve social outcomes.
Council control over design and development outcomes is reduced because of the land transfer.	• Agreement to transfer to establish process for design refinement and requirement for Council approval. • Council to communicate its requirements to Minister for Planning if Council is not the planning authority. • Land transfer to only occur once design is finalised and planning permit gained.
Development or dwelling are sold by RHA the future, resulting in loss of social housing in the municipality. For example, HousingFirst has recently advised it needs to sell assets in Port Phillip.	• Agreement to transfer land and subsequent Section 173 agreement on title to require ongoing use of land for social housing, and for any change in use or sale to only be with the approval of Council.

Example

Council	City of Port Philip
Land model	**Transfer of Land at Nil Consideration (Gifting)**
Housing Agency	**HousingFirst as Trustees of the Port Phillip Housing Trust**
Status	**Completed**
Overview	City of Port Phillip Council transferred approx. 1,800m2 of land used as a carpark to Port Philip Housing Trust, managed by Registered Housing Agency, HousingFirst, for it to be developed as 46 affordable housing units and development of a basement carpark and expansion of Balaclava Walk. The management of the carpark falls under council's responsibilities. The project was valued at $23m in 2020, with land value of $7 m, or $5 m when adjusted to account for the carpark. HousingFirst (as the Port Phillip Housing Trustee) secured $22 m grant from the State Government and applied debt. 

Assessment

	ASSESSMENT	RANKING
PRIMARY OBJECTIVES		
High-quality, long-term social housing outcome is realised.	• Achieved as land and resulting dwellings are owned by a RHA. • May require mix of social housing and other forms of affordable rental housing to make viable.	High
Retention of land in Council's ownership.	• Not achieved as land is transferred to RHA.	Low
Council has a level of control over building design outcomes.	• Potential to be achieved through development agreement requirements.	Moderate
Minimised reputational risk to Council.	• Higher risk of Council facing critique from community due to land transfer.	Moderate
No financial requirement on Council.	• Unlikely to require Council financial contributions as RHA can use land to secure debt to improve feasibility and in turn, secure government funding.	High
SECONDARY OBJECTIVES:		
Timely delivery	• Development agreement and sale contract negotiation could have a minimal impact on timeliness of delivery.	**High**
Realises a financial return to Council.	• No financial return. Value of asset is not retained on Council books.	Low

Steps to Progress

If this option was progressed, it is recommended Council:

1. Seek advice to determine if there is a windfall gains tax implication if transferring the land and if so whether a State Government exemption can be sought or if RHAs can pay such costs if exemptions are not granted.
2. Undertake a new EOI and subject to confirming a RHA, work in partnership to refine and confirm a feasible design.
3. Undertake a public notice and consultation process, noting that the community ability to influence design will need to be limited as changes will impact on feasibility. Engagement should clearly communicate why the scheme scale and form is proposed and emphasise Council's objective to maximise realisation of social outcomes for the community which requires the transfer of land ownership.
4. Prepare and execute a development agreement and contract of sale.
5. Progress actions under the agreement to support planning approval, delivery and agreement execution and transfer of land.

Option 4: Land disposal at a discount.

Overview

This option entails Council selling the land at a discount to the market value to either a:

1. RHA for a 100 per cent social housing development; or
2. For-profit developer or investor in partnership with a RHA for up to 100 per cent social and/or affordable housing.

This is a more complex option, with a range of potential housing outcomes, illustrated below, with ownership, potential affordable housing scale, and term of use highlighted:

Purchasing entity (new landowner)	% Social and /or Affordable Housing	Term retained as affordable housing
Registered Housing Agency	100%	'In-perpetuity' (or until RHA sells)
Investor (with developer and housing agency partners)	100%	For period Government grants are provided to investor (25 – 30 years)
Developer	<100% affordable housing subject to Council requirement and market assessment of viability. Includes market priced housing.	Affordable housing retained 'in-perpetuity' (or until RHA sells)

In exchange for selling the land, Council will realise a (below-market) financial return, whilst supporting the realising of social outcomes.

The option assumes that under the above scenarios that an organisation has the capacity to pay for the land, either by including a market priced sale component, or the investor having equity funds available. A delayed settlement until planning approval is granted, and potentially until development is completed is expected to be required to support viability.

The capacity for a RHA to pay for the land is very limited due to the low rental returns. They may have small cash reserves or can secure philanthropic funding. A RHA is more likely to consider applying their own funds if the purchase and ownership improve the chance that they can secure funding and financing and deliver the project.

This option could result in 100 per cent affordable housing, depending on market interest and the availability of government funding and the proposed ownership structure. However, if the dwellings are not RHA owned the affordable housing use would finish at the end of any government funding term. The dwelling could then be rented at market rent or sold.

This option may likely deliver a different dwelling typology outcome compared to a 100 per cent social housing project. This is because a developer's assessment of cost, risk and opportunity associated with market-priced housing can result in them pursuing a lower-scaled and cost efficient typology and construction method (i.e. townhouses are a lower cost per square metre to build than apartments).

To pursue this model will require a direction by Council on the minimum affordable housing percentage it expects in exchange for selling the land and a methodology to weight financial return against affordable housing outcomes.

Key Benefits and Disadvantages

Key benefits and disadvantages of this option for Council include:

Benefits	Disadvantages
Achieves a financial return to Council.	Requires Council to sell the land. Loss of public open space.
An affordable and/or social housing outcome is realised.	Financial return may be modest and not worth the land transfer and/or effort to tender.
Achieves an integrated, mixed income community outcome.	May not maximise the amount of affordable housing or social housing that is realised.
Does not require any other Council financial contributions.	Loss of passive open space.
Developer / RHA can use land value as security for borrowing.	Community will view a land transfer as privatisation and are less likely to support the arrangement.
Subject to land value and number of affordable housing outcomes realised, may not require or may significantly reduce RHA dependency on government funding.	Complex tender to structure and assess, involving multiple parties and assessment of financial and social return.
Transfers all ongoing landownership obligations and risks from Council.	Affordable housing realisation may depend on private finance that is linked to pre-market sales. Risk development (and social housing) does not proceed if market conditions are not favourable and financing is not secured.
May be more favourably viewed and supported by some members of the community who are concerned about larger social housing developments.	May not result in maximum total housing outcomes the site could otherwise deliver as a developer approach to market housing risk and dwelling typology differs from affordable housing delivery.

Key benefits and disadvantages of this option for a RHA include:

Benefits	Disadvantages
Realises a social and/or affordable housing outcome.	Unlikely to deliver a maximum number of social and/or affordable housing dwellings, or the affordable housing is only retained for a funding period (i.e. 25 years) if investor owned.
Risk of development may sit with a developer partner. RHA can purchase 'turn-key' product at end of building completion.	May not result in RHA ownership of the affordable housing.
Enables RHA to explore debt financing to support feasibility.	More complex to structure, partner and determine feasibility and inputs.
Does not require RHA to source funds to purchase the land.	Developer interest may be limited due to perceived risks of integrating market and private housing.
Potentially reduces the funding required to be sourced if a lower number of outcomes are to be realised.	RHA responsible for managing ending of tenancies at end of term of use.

Key Risks and Potential Mitigations

Key risks and potential mitigations of this option are the same as transferring of land to a RHA, with additional risks that:

Risk	Mitigation
No market interest or interest is low due to complexity and/or feasibility.	• Difficult to mitigate. Consider whether there is a minimum financial return requirement or if any return is sufficient.
Affordable housing delivery is delayed or not realised due to a dependency on market sales.	• Assess developer's reliance on market sales as part of tender process.

Financial return on land is negligible and not seen as sufficient relative to the number of affordable housing (social impact) realised.	• Have an independent design and feasibility prepared to provide an indication of potential outcomes and return if purchased by a developer. Consider advice in determining whether to proceed.
Very few affordable housing outcomes realised. Attracts negative community and/or media attention.	• Trade-off to be considered and accepted prior to proceeding to sale. • Communication plan to be developed prior to tender.
Different and lower scale housing outcome realised due to an emphasis on 'market demand' housing.	• Trade-off to be considered and accepted prior to proceeding to sale.

Example

Council	City of Whitehorse
Land model	**Sale**
Housing Agency	**HousingFirst**
Status	**Completed**
Summary	The City of Whitehorse identified a need to relocate several persons living in three council-owned boarding houses that were no longer suitable for residents. They also identified an underutilised car park at 2-4 Bruce Street comprising approximately 2,500 sq m, located within the Box Hill Activity Centre, that would be suitable for Affordable Housing development and the rehousing residents of the boarding houses. As the land was zoned Public Use the council undertook a planning amendment to zone it to Mixed Use, enabling residential development. The land was released for sale via a tender directed to Registered Housing Agencies. Agencies could submit in partnership with a developer, but developers could not tender without a Registered Housing Agency partner. HousingFirst in partnership with developer MAB Corporation was selected to acquire the site at a significant discount. The project has delivered 233 units across a 10 and 19 storey development, 73 dwellings (31%) will be owned by HousingFirst, comprising one and two bedroom dwellings located in the 10-storey tower. HousingFirst secured State Government funding towards the project. The remaining dwellings are being sold by MAB at market value. 

Council	Cardinia Shire Council
Housing Agency	**Women's Property Initiative**
Status	**Completed**
Summary	In 2016 Cardinia Shire Council identified a vacant parcel of land as a suitable site for Affordable Housing and resolved to sell or lease the property to a RHA. Agencies were asked to identify through an Expression of Interest process their preference for a lease or sale arrangement, and to nominate a proposed purchase price if seeking to purchase. Council had a market valuation and a social valuation prepared, with the later forming the basis for bid comparison and assessment of financial return. Following the review of tenders and a public notification process the land was sold at a discount to Women's Property Initiatives (WPI) who secured funding from the Victorian Property Fund and the Edward Wilson Trust to meet construction costs. The sale of the land was accompanied by a Section 173 Agreement which outlines the obligations for WPI to proceed with the planning application and the construction of Affordable Housing within specific timeframes, and for the land to be returned to council should WPI dissolve. Development of four 3-bedroom double storey dwellings and two 2-bedroom single storey dwellings targeted at low-income, women led families resulted, many of whom will have had experience with family violence.

Assessment

OBJECTIVES		RANKING
	PRIMARY OBJECTIVES	
High-quality, long-term social housing outcome is realised.	• May be achieved if land is sold to RHA and resulting dwellings are owned by a RHA. If investor owned, a term of use for social/affordable housing will be limited to 25 – 30 years depending on funding requirements. • May require mix of social housing and other forms of affordable rental housing to make viable.	Moderate
Retention of land in Council's ownership.	• Not achieved as land is transferred to RHA or investor.	Low
Council has a level of control over building design outcomes.	• May be achieved through development agreement requirements. Greater risk market requirements direct design outcomes.	Low
Minimised reputational risk to Council.	• Higher risk of Council facing critique from community due to land transfer particularly if to an investor with a time limited affordable housing outcome.	Moderate
No financial requirement on Council.	• Unlikely to require Council financial contributions as RHA or investor can use land to secure debt to improve feasibility and in turn, secure government funding.	High
	SECONDARY OBJECTIVES:	
Timely delivery	• Development agreement and sale contract negotiation could have a moderate impact on timeliness of delivery if more complex. • Development where market priced housing will also be delivered could be dependent on pre-sales which could delay delivery of the social housing.	Moderate

OBJECTIVES		RANKING
Realises a financial return to Council.	• Council realises a financial return for the land (level of value to be determined). Value of asset is not retained on Council books.	Moderate

Steps to Progress

If this option was progressed, it is recommended Council:

1. Seek advice to determine if there is a windfall gains tax implication if disposing of the land, and whether a State Government exemption can be sought depending on if the majority of the site is developed as affordable housing.
2. Determine which Council design requirements are critical and non-negotiable.
3. Have a indicative scheme and development feasibility prepared, assuming a predominantly market development, and test different affordable housing percentage requirements. Determine target percentage.
4. Have a valuation done on the indicative scheme and determine if there is a minimum financial return Council requires to sell the land.
5. Consider testing of strategy with RHAs. Decide whether to proceed based on feasibility advice.
6. Subject to above and a decision to proceed, Undertake a market sale process with an affordable housing requirement. Assess tenders against Council criteria.
7. Undertake a public notice and consultation process, noting that the community ability to influence design will need to be limited as changes will impact on feasibility. Engagement should clearly communicate why the scheme scale and form is proposed and emphasise Council’s objective to maximise realisation of social outcomes for the community, which requires the transfer of land ownership.
8. Prepare and execute a development agreement and contract of sale.
9. Progress actions under the agreement to support planning approval, delivery and agreement execution and transfer of land.

Option 5: Land disposal at market value for a market priced innovative housing development.

Overview

This option entails Council selling the land publicly for full market value, with a focus on supporting an innovative housing model that delivers broad affordability benefits.

No requirement for dedicated social or affordable housing would be set (distinguishing it from option 4). Resulting housing would be sold or rented at full market value.

Examples of some innovative market housing models are highlighted below, with innovations including:

- developer undertaking a consumer sourcing and design informing process, resulting in larger and more sustainable apartments and a range of communal facilities;
- not-for-profit housing collective model where households form a group and are supported to acquire and develop land, with the development profit that would otherwise be realised supporting affordability for purchasers.

Pursuing this option will require Council to dispose of the Site. This would need to be assessed against other sale options where dedicated affordable housing is realised. There is a greater risk this option will attract strong criticism from some members of the community who do not want to see privatisation of Council assets, particularly where there is no social return and where an attempt for social housing was first attempted.

The development outcome may differ significantly from a social – affordable housing development as a market priced housing assessment may result in a townhouse typology being seen as lower risk and cost compared to affordable housing needs based project assessment.

The level of financial return on the land will depend on the development model and price assumptions the purchasing developer applies.

Council will need to undertake a tender process where there is weighting on innovation if it is to achieve this outcome. The market interest is unknown and there is risk there are no suitable purchasers.

Council will need to undertake a tender process and place a high weighting on innovation if it is to achieve this outcome. The market interest is unknown and there is risk there are no suitable purchasers.

Key Benefits and Disadvantages

Key benefits and disadvantages of this option for Council include:

Benefits	Disadvantages
Supports an increase in new housing supply that demonstrates some form of innovation.	Does not achieve social or affordable housing.
Will provide a financial return to Council.	Requires Council to sell the land. Loss of public open space.
Transfers all ongoing landownership obligations and risks from Council.	May be limited market interest particularly due to innovation requirement.
	May not achieve same scale of housing outcomes compared to an affordable housing development. Complex tender to structure and assess if emphasis placed on innovation.
	Community critique of privatisation of Council assets.

There are no benefits of this option for a RHA as there is no affordable housing outcome realised.

Key Risks and Potential Mitigations

Key risks and potential mitigations of this option are largely the same as option 4 – discounted sale.

Examples

Entity	Various and international example - Limited Equity Housing Coops
Summary	A limited equity housing cooperative (LEHC) is a co-homeownership model in which residents purchase a share in a development (rather than a title over an individual unit). The building is owned and managed by a democratically governed not-for profit cooperative corporation made up of resident members, giving the member resident a secure right of residency for as long as they remain a member of their housing co-op. A LEHC limits the amount of equity a member can earn upon the sale/transfer of their membership to preserve the cooperative's affordability for future generations. Residents pay a membership fee to buy into the LEHC, and this membership fee is transferable if they want to leave. The membership fee is resold at a price determined by a formula—an arrangement that maintains affordability at purchase and over the long term. LEHCs sit in the middle ground between private housing ownership and private rental. A mid-market housing solution sitting between market (delivered by private developers) and non-market housing (enabled by government subsidy). The model is a common approach to delivering Affordable Housing in cities like Zurich and Vienna. It is also an established form of housing in New York. In Melbourne, there are several rental housing co-operatives owned and managed by Common Equity Housing Limited (CEHL) as social housing. Middle Ground Housing is a local not for profit that has recently been established to facilitate the growth of LEHC's utilising long term ground leases to avoid the need for federal or state government capital grants or availability payments to deliver secure, more affordable housing.

Entity	International example – Baugruppen (building groups)
Summary	Baugruppen (building groups or group builds or group self-build) is a resident-led approach to building sustainable, community-driven housing. Originating in Berlin in the early 2000s this model of social and community-oriented housing was seen as something that should be promoted as traditional housing developments prioritised profit over quality and social outcomes. At its height between 5 and 15 per cent of new housing supply in Berlin was being delivered in this way. These projects were unique because the building groups were: • resident-led, where future residents form a group early in the process and co-design and co-develop the project, maintaining greater control over the built form outcome; and • not-for-profit, by cutting out the developer and eliminating profit-driven costs residents can direct more budget to where they see value, usually in the form of shared spaces to encourage community-oriented living or enhanced sustainability features. In Melbourne, there is a history of this "collaborative" housing approach, a recent Robin Boyd Foundation Home Made Melbourne event explored this history, with architects like Rossetti Architects, McBride Charles Ryan and Six Degrees in suburbs like Richmond, Prahran and Brunswick. Property Collectives is a local leader in this space, their group self-build model has built 82 homes across 10 projects with average savings of over 10% to members.

Steps to Progress

If this option was progressed, it is recommended Council follow the steps under option 4 (discounted sale), noting that the tender process will need to consider what emphasis is placed on innovation, and how this is defined, assessed and weighted.

Assessment

OBJECTIVES		RANKING
PRIMARY OBJECTIVES		
High-quality, long-term social housing outcome is realised.	• Not achieved.	Low
Retention of land in Council's ownership.	• Not achieved.	Low
Council has a level of control over building design outcomes.	• Potential to be achieved through development agreement requirements.	Moderate
Minimised reputational risk to Council.	• High risk of Council facing critique from community due to land transfer particularly if no affordable housing realised.	Low
No financial requirement on Council.	• No financial requirement on Council expected.	High
SECONDARY OBJECTIVES:		
Timely delivery	• No delivery of social / affordable housing. • Development of market priced housing will be dependent on pre-sales which could delay delivery.	Moderate
Realises a financial return to Council.	• Council realises market value for the land. Value of asset is not retained on Council books.	High

Option 6: Retain land as vacant land. No affordable housing.

Overview

This option entails Council retaining the land in its ownership as vacant land, with no affordable or social housing outcome. It is included as a 'do nothing' scenario to reflect the spectrum of options available to Council.

Key Benefits and Disadvantages

Key benefits and disadvantages of this option for Council include:

Benefits	Disadvantages
Council retains ownership of the land.	No affordable housing delivered.
Community retains informal 'open space' (noting it is treated by Council as vacant land).	Significant Council investment in progressing the affordable housing option does not translate to an outcome.
Does not depend on third party investment to achieve a community outcome.	Council policy objectives and commitments are not realised.
Does not require Council to compromise on its built-form objectives for the Site.	Council reputation amongst housing agencies is impacted if it is perceived that the site did not proceed due to Council. This may reduce interest in other sites and in partnering opportunities.
	Potentially limited other suitable Council sites that could be suitable or not have a higher value other use, or respond with this scale of outcomes.
	Requires Council to maintain the space. Potentially community pressure to also improve its amenity.

Key benefits and disadvantages of this option for a RHA include:

Benefits	Disadvantages
No benefit as affordable housing is not realised.	Lost opportunity to realise affordable housing.
	Limited other suitable Council sites that could respond with this scale.
	Significant housing agency investment in progressing the affordable housing option does not translate to outcomes.

Key Risks and Potential Mitigations

Key risks and potential mitigations of this option include:

Risk	Mitigation
Community groups and individuals' public criticism and media attention that affordable housing is not realised.	• Council reaffirms communication on reasons for decision. Emphasise reasons and on retention of passive space.
Housing agencies elect to not pursue future Council land and/or partnering opportunities.	• For any future land opportunities, reflect feedback from HousingFirst and this report in determining structure and process.
Homeless and housing stress increases in the community putting further pressure on other Council services, and on community cohesion.	• Council considers other opportunities and sites to support an increase in affordable housing.

Example

Affordable Development Outcomes is not aware of examples where a council has not proceeded with an affordable housing proposal after an EOI process, however it is expected this has occurred in practice but is not publicly known.

There are examples where councils have assessed various sites for affordable housing and have not proceed to issuing an EOI. In these instances, the council may have had a scheme developed and the public may have been informed of or consulted on the investigations and options for land use.

Assessment

	ASSESSMENT	RANKING
PRIMARY OBJECTIVES		
High-quality, long-term social housing outcome is realised.	• Not achieved.	Low
Retention of land in Council's ownership.	• Land is retained in Council ownership.	High
Council has a level of control over building design outcomes.	• Not achieved in relation to housing. Council maintains control over land use.	N/A
Minimised reputational risk to Council.	• Risk Council's reputation with RHAs is low and they do not seek to partner in other opportunities. • Risk some members of the community are disappointed Council has not pursued the proposed social housing outcome.	Moderate
No financial requirement on Council.	• Council investment would be required to improve the land as public open space or playground area.	Moderate
SECONDARY OBJECTIVES:		
Timely delivery	• Not applicable	N/A
Realises a financial return to Council.	• No financial return.	Low

Summary of Options Analysis

	Option 1 – Lease land	Option 2 – Transfer to Trust or SPV	Option 3 – Gift land	Option 4 – Discounted sale	Option 5 – Market sale	Option 6 – Retain open space
ASSESSMENT AGAINST PRIMARY OBJECTIVES						
High-quality, long-term social housing outcome is realised.	Moderate	High	High	Moderate	Low	Low
Retention of land in Council's ownership.	High	Low	Low	Low	Low	High
Council has a level of control over building design outcomes.	Moderate	Low	Moderate	Moderate	Low	N/A
Minimised reputational risk to Council.	Moderate	Moderate	Moderate	Moderate	Low	Moderate
No financial requirement on Council.	Low to Moderate	Low	High	High	High	Moderate
ASSESSMENT AGAINST SECONDAY OBJECTIVES						
Timely delivery	Low	Moderate	High	Moderate	Moderate	N/A
Realises a financial return to Council.	Moderate	Low	Low	Moderate	High	Low

Table 6: Summary of options assessment rating against criteria

PART 3 – Site Selection and EOI Structure

This section provides general advice on site selection and the tendering of Council land for affordable housing. It takes into consideration the process and documentation prepared by Council in relation to the Site but does not provide a detailed review of those documents.

Site Selection

Council undertook a process to select the Site for affordable housing provision. This process has not been reviewed but it is understood that it involved identification and assessment of vacant Council owned sites against the following criteria:

- whether the land was Public Open Space;
- use of land and tenure issues, including restrictions on the title;
- easements on the land;
- Town planning zoning and overlays;
- constraints to development;
- proximity to activity centres and essential services; and
- the directions and guidance of the Monash Open Space Strategy, 2018.

Three shortlisted sites were identified applying this criteria, with the benefits and challenges of development then assessed.

Due to the limited number of vacant sites owned by Council, it is considered that these broad criteria remain valid and are continued to be applied in any land assessment.

It is important over emphasis is not placed on proximity to services due to the already constrained nature of Council land. Instead, the dwelling and tenant allocation response should be appropriate for the context. This may mean in that some areas the development requires carparking and a lower to moderate income household outcome.

It is important to note that a market developer's assessment of land potential may differ significantly from a RHAs. This is because a developer's assessment of market demand and its risk appetite can lend itself to lower scale development whereas a RHA is driven by housing need – predominantly experienced by single persons – and the desire to maximise scale and outcomes (within reason).

Site Tendering Process

As Council is aware, the release and development of council land can be a resource intensive and complex process that requires it to have the resources, skills and time to assess and make decisions in relation to several matters, including:

- legislative and regulatory requirements;
- site suitability
- site planning requirements and development potential;
- social and economic priorities and value;
- housing demand, priority household cohorts and their housing and support service requirements;
- development feasibility; and
- risks, responsibilities and mitigations.

To apply any of the options will require council to undergo a transparent process and make decisions in accordance with the Local Government Act.

At minimum, the transfer of land will require Public Notice, consultation and a valuation to be undertaken.

It is recommended that Council consider engaging external expertise in the pre-tender and tendering phase to assist in site and tender analysis and to act as a conduit between the RHA and Council in the process and subsequent agreement negotiations.

Pre-tender assessment

To support Council to understand the potential development outcomes, and to reduce resourcing and cost requirements on a RHA, it is recommended that as part of a site assessment and selection, Council:

- have a preliminary desktop environmental study prepared to determine potential risk of contamination;
- prepare or have prepared a planning report, setting out applicable planning requirements (height, set-backs, carparking, etc);
- have a high level design massing study prepared, showing potential 'block form', gross floor area and indicative number of housing outcomes. This work will need to be informed by a 'market' scope that identifies the potential dwelling typology and mix for an affordable housing development;
- have a preliminary valuation undertaken;
- identify core Council objectives for the project;
- determine the options or way in which Council is prepared to offer the land for development.

This preliminary work enables a greater understanding of a site's development potential and can be used to inform RHAs and support them to determine their interest in a site.

Recommended Tendering and Partner Selection Principles

It is recommended Council set out clear objectives prior to developing a tender.

These objectives should be limited to critical requirements, with the overarching objective recommended to be the timely delivery of high quality, long-term affordable housing.

Council is also recommended to limit controls that may impact on site and management feasibility, such as tenant targeting or wrap-around service requirements. These matters should be left to the RHA to determine.

Tender Staging Options

Council can undergo a single or two-stage process to select a RHA or developer entity. Both are outlined below:

Single-stage EOI

Under a single-stage approach Council would invite RHAs to submit an EOI setting out sufficient information to enable Council to select and proceed with one RHA.

Council will need to decide what criteria it will apply to enable it to select and proceed with one entity. It may require preliminary designs, noting this will be at the RHA cost and will deter some entities from applying, or could assess on RHA experience and approach to partnering and then seek to work with the selected RHA to co-design the development.

Depending on which approach to design development Council elects, a potential significant benefit of this approach is that expenditure on tendering by both Council and RHAs is limited and there is greater incentive for a RHA to tender.

A single-stage EOI may also result from a very small number of RHAs submitting to the first stage of a proposed two-stage process.

Two-stage EOI then Request for Proposal (RFP)

Under a two stage EOI and then Request for Proposal (RFP) process, stage one results in a shortlist of interested RHAs and the stage two involves more detailed design and feasibility work by the RHA to enable Council to select an agency.

There is greater emphasis on the RHA developing the concept in a two-stage process, and therefore less opportunity for Council to input into design.

A two-stage approach is typical for very large-scale government land transactions where there is strong market interest and competition for a site.

Tendering Documentation and Criteria

Regardless of whether a single or two-stage tendering process, Council should provide sufficient information to the market to enable them to assess their interest in tendering and to limit their expenditure in the early tendering stage.

This should cover preliminary due diligence information, including an outline concept scheme. This enables a RHA to assess the opportunity without significant expenditure. The concept massing can also be used to guide the community on Council's supported heights and density.

It is assessed that the EOI document for the lease is very comprehensive, with significant requirements on tendering RHAs including to provide a concept design, feasibility, development program and asset management plan and to review the lease agreement. The criteria are similar to that of State Government funding applications or tendering expected at a second detailed stage for State Government land. Responding to the EOI is expected to have required a RHA to spend reasonable funds and may have impacted on the low response.

Of note, RHA's will note have funding or financing certainty at an EOI or RFP stage as they can only seek this funding when they have secured the land and developed a scheme sufficient to cost. Planning certainty is also valued by Governments when assessing funding applications.

It is recommended that when tendering to a RHA, Council reflect that RHAs are charitable organisations who:

- are Constitutionally committed and structured to providing subsidised housing for vulnerable and lower income Victorians;
- are regulated by the Victorian Housing Registrar to provide social and affordable housing, with significant oversight by the Registrar of their activities;
- are primary recipients of significant State and/or Federal Government funding for affordable housing, and to secure funding for a project will need to meet high requirements; and
- have limited surplus cash reserves that can be spent on tendering opportunities;

Larger RHAs also have significant experience delivering and managing projects.

It is subsequently recommended that Council tenders minimise requirements, particularly at the EOI stage, and only focus on critical items that are necessary to support Council to select a RHA partner. This could include criteria relating to partnering experience and approach, and success securing and delivering projects.

Council will also need to decide what level of design is required for it to decide on a partner, and at what stage of the process. A key consideration is whether Council will require genuine community engagement and influence on design. If so, then design should be minimal at tendering and instead Council and the RHA undertake co-design and consultation.

It is recommended that if Council elect to pursue either a new lease tender or a different land release model, that the EOI document is reviewed and criteria significantly shortened to reduce the onus on RHAs at an early stage.

Appendix – Key Timeline

- **September 2020** - The Regional Local Government Homelessness & Social Housing Charter Group, representing 13 East and South-East Councils and two million residents and led by Monash Council, made a joint submission to the Federal Inquiry into Homelessness.
- **November 2020** - The Victorian State Government announced the $5.3 billion 'Big Housing Build' in Victoria.
- **December 2020 -** Council adopted the Social Housing Framework.
- **2021** - 65a Power Avenue, Chadstone was identified by Council as being suitable for social housing due to connections to transport, education, services, and open space (link to report).
- **2022** - Council sought expressions of interest from Registered Housing Associations to consider the land at 65a Power Avenue, Chadstone as a potential site for additional social housing within the City of Monash.
- **February 2023** - following an Expression of Interest process, Council identified HousingFirst, as the preferred submitter of the EOI and subsequently resolved to commence community consultation on the social housing proposal (Link to report). They were the only submitter.
- **19 April 2023 to 14 June 2023** - The community engagement process was undertaken on the EOI which included two community information sessions.
- **25 July 2023** – Council noted the outcome of the community engagement process on the social housing proposal and resolved to commence the statutory community consultation under the Local Government Act 2020 (**LGA2020**) for the proposed agreement to lease and lease with HousingFirst, **subject to the changes to the social housing proposal resolved by Council at this meeting** (Link to report).
- **18 August to 19 September 2023 –** The statutory consultation in accordance with the LGA2020 was undertaken regarding the agreement for lease and lease with HousingFirst.
- **10 October 2023** - The Committee of Council met to consider any submissions received during the statutory consultation process.
- **31 October 2023** - Council agreed to accept the Committee of Council's recommendation and resolved to enter into an agreement to lease and lease with HousingFirst for the provision of social housing on the Land (Link to report).
- **November to December 2023 -** Council's lawyers finalised the agreement to lease and lease documentation in accordance with Council's resolutions, ensuring these captured the changes as resolved by Council.
- **January 2024** – The finalised documents were sent to HousingFirst for comment, in preparation for officers to commence the lease execution processes.
- **21 June 2024** - Officers received a letter from HousingFirst informing Council that they will be unable to proceed with the Project under the proposed Lease model. We asked for more information and clarity.
- **27 June 2024** – HousingFirst provided some information on the funding issues and proposed some other options for Council to consider.
- **27 August 2024** – Council resolved to respond to HousingFirst and stated it was unable to proceed with the alternative proposals. Council also resolved to write to the State and Federal Governments regarding funding criteria changes and directed officers to investigate other high-quality social housing opportunities for 65A Power Ave, Chadstone (agenda, minutes).
- **August 2025** – Council appointed Affordable Development Outcomes to provide advice.