

## 1.1 **MONASH AFFORDABLE HOUSING STRATEGY** (MM: File No. F18-103556)

Responsible Director: Peter Panagakos

### **RECOMMENDATION**

*That Council:*

- 1. Notes the content and recommendations of the Draft Monash Affordable Housing Strategy.*
- 2. Notes the content of the Affordable Housing Strategy Discussion Paper.*
- 3. Releases the Draft Monash Affordable Housing Strategy for community consultation in accordance with the consultation program set out in this Report.*
- 4. Notes that a further report will be presented to Council upon the completion of the community consultation program reporting on the outcomes of the consultation and to consider any proposed way forward.*

### **INTRODUCTION**

The purpose of this report is to consider the Draft Monash Affordable Housing Strategy and to seek endorsement of the Draft Strategy for community consultation.

### **BACKGROUND**

Rising house prices and rents, stagnant wages and limited investment in social and affordable housing, have led to an increase in the number of households experiencing housing stress in the community. In response Council has developed a Draft Affordable Housing Strategy.

This Strategy makes a clear case for taking action for greater affordable housing provision in the City of Monash. It demonstrates both the need for affordable housing and the benefits of having more affordable housing in Monash.

On 1 June 2018, the Planning and Environment Act (1987) was amended to include a new objective “*to facilitate the provision of affordable housing in Victoria*”. This amendment also included a definition of affordable housing, which states that “*affordable housing is housing, including social housing, that is appropriate for the housing needs of very low, low, and moderate-income households*”.

In September 2019, the Minister for Planning appointed a Ministerial Advisory Committee on Planning Mechanisms for Affordable Housing. The Advisory Committee will consider and provide advice to the Minister on possible models and options to facilitate the supply of affordable housing through the Victorian planning system. The Committee was due to provide its advice to the Minister for Planning by the end of 2019, and to date their findings and advice has not been publically released.

Monash is also a member of the Eastern Affordable Housing Alliance (EAHA). EAHA comprises six municipalities in the Eastern Metropolitan Region of Melbourne. Its

aim is to ensure that the most disadvantaged people in the region can access safe, secure, affordable housing through advocacy to State and Federal Governments.

Homelessness and housing affordability are interconnected but distinct issues. Homelessness is a complex issue, which is influenced in part by housing affordability. The most significant and serious impact of housing affordability is homelessness.

The Victorian State Government established a Parliamentary Inquiry into Homelessness in Victoria to assess the scale of homelessness in Victoria and identify ways it can be addressed. At its meeting on 28 January 2020, Council resolved to note and endorse Monash City Council's submission to the Parliamentary Inquiry into Homelessness in Victoria. The submission details seven case studies of experiences of homelessness in Monash and proposes fundamental service improvements to support the most vulnerable members of the community experiencing homelessness.

Council is also coordinating a coalition of 14 Councils to consolidate a south-eastern regional local government response to homelessness and advocate for greater social housing in Victoria.

#### Strategy Development

The City of Monash engaged SGS to prepare a Discussion Paper on Affordable Housing and an Affordable Housing Strategy for Monash.

In May 2019, following the distribution of a preliminary draft of the Discussion Paper, SGS and relevant Monash staff attended an internal workshop. Subsequently SGS undertook targeted stakeholder engagement with two registered housing agencies, two developers and three Council officers. This workshop and targeted engagement allowed the Discussion Paper to be refined and finalised and various practical options of affordable housing provision to be analysed.

In November 2019, Council received the final draft of the Affordable Housing Strategy from SGS. A copy of the Draft Affordable Housing Strategy Final Report-November 2019 is in **Attachment 1**.

#### ***ISSUES AND DISCUSSION***

The Draft Affordable Housing Strategy has been completed and it is now considered appropriate to seek community feedback on the draft.

#### Key issues identified by the Strategy

There is an increase in the number of households experiencing housing stress in Monash. Housing stress has been defined as paying more than 30% of gross household income as rent, while earning a very low, low or moderate household income (that is households with a household income the bottom 60% of all households). These income figures are set by the State Government and are revised annually.

Groups experiencing housing stress represent 9,230 households or 13% of all households in Monash. In addition, 50% of all renters in Monash are experiencing housing stress.

More than half of all households who are in housing stress are very low income households (those households with an income in the lowest 20%) and are experiencing severe housing stress where they are paying more than 50% of their gross income on rent.

There are currently 1,610 social housing dwellings in Monash. SGS estimated that in 2016 there was an unmet need for 6,640 affordable dwellings in Monash. Projections made by SGS, estimate that the level of unmet need could increase to 8,350 dwellings by 2030.

The Draft Monash Affordable Housing Strategy- Final Report concludes that unless there is greater intervention a significant and increasing number of households in Monash will be placed in housing stress or may experience homelessness.

Access to affordable housing has a range of benefits, including benefits experienced by those people living in the housing and additional benefits to the wider community. Research into the impacts of increased social and affordable housing provision demonstrates the following benefits:

- Reduced disadvantage through lower rates of housing stress and reduced risk of homelessness.
- Improved diversity by creating the opportunity for people with any income live to live and work in the community.
- Enabling residents to stay in their local area through different life stages and maintain strong social and community networks.
- Economic efficiency by ensuring that high housing costs do not exclude valuable members of the labour force from living near good jobs in the City of Monash.

#### Overview of the Strategy

The Affordable Housing Strategy makes a clear case for taking greater action to increase the affordable housing provision in Monash. It demonstrates both the need for affordable housing and the benefits of having more affordable housing.

The objective of the Affordable Housing Strategy is to:

*Identify a clear and practical set of strategies and actions for Monash City Council to support the increased supply of affordable housing, within its remit as a local government authority.*

The draft Strategy proposes a range of strategies and actions with the four pillar framework of:

- Regulation;
- Partnership;
- Investment, and
- Advocacy.

The Regulation pillar includes strategies and actions that would enable Council to seek contributions through the planning system via a value capture mechanism or inclusionary zoning.

The Partnership pillar includes Council working with the community housing sector or developers to facilitate the development of affordable housing.

The Investment pillar includes investigating opportunities on Council land to directly increase the provision of affordable housing.

The Advocacy pillar supports Council's continued advocacy as a member of the EAHA, including advocating for the introduction of mandatory inclusionary zoning and the State Government's delivery of 11,420 new social housing dwellings in the Eastern Metropolitan Region of Melbourne.

Table 1 below summarising the strategies and actions proposed in the Draft Monash Affordable Housing Strategy- Final Report, November 2019:

*Table 1*

STRATEGIES	ACTIONS
<b>REGULATION</b>	
1. Support housing diversity and choice through Council's existing planning policies	1.1 Continue to implement the strategies and actions in Monash's Housing Strategy 2016-2021 and Structure Plans and Precinct Plans for Monash's Activity Centres.
2. Establish strong and broad policy statements about the need for affordable housing in Monash	2.1 Seek a planning scheme amendment to include a strong statement of support for affordable housing contributions in Monash
3. Require an affordable housing contribution when land is being rezoned	3.1 Develop Council's policy and approach for value sharing on rezoned land 3.2 Seek a planning scheme amendment to mandate 75 per cent affordable housing contributions for value uplift on rezoned
4. Implement Council-wide inclusionary zoning requirements for affordable housing	4.1 Develop Council policy and approach for inclusionary zoning requirements for affordable housing 4.2 Seek a planning scheme amendment to mandate 6 per cent affordable housing

	contributions for all new floorspace developed in Monash
5. Establish processes to support affordable housing contributions	5.1 Develop a s173 Agreement template provide options for developers to make affordable housing contributions  5.2 Establish an affordable housing trust receive cash in-lieu affordable housing contributions
PARTNERSHIP	
6. Engage with and educate the community on social and affordable housing as important local infrastructure	6.1 Develop an approach to educating the community on the need for and benefits social and affordable housing
7. Adopt a relationship building, information sharing and brokerage role	7.1 Publish information on the Community Housing Sector for developers and provide single point of contact at Council for enquiries
INVESTMENT	
8. Consider opportunities for affordable housing on appropriate Council-owned land	8.1 Identify opportunities on Council owned land for social and affordable housing provision  8.2 Develop and test a process for developing appropriate Council owned sites for affordable housing outcomes
ADVOCACY	
9. Advocate through the Eastern Affordable Housing Alliance (EAHA) for mandatory inclusionary zoning and direct government investment and subsidies	9.1 Use the EAHA as a platform to further develop policy positions and advocate collectively for mandatory inclusionary zoning direct investment and subsidies

Proposed Strategies 3 and 4 are outlined in greater detail in the following section.

### Strategy 3: Requiring an affordable housing contribution when land is rezoned

Development rights such as land zonings influence the value of land. Generally when land is rezoned it creates value uplift. This is particularly so when land is rezoned from an industrial or commercial zone to a mixed use or residential zone. The greatest uplift in value occurs when a site is rezoned from a low value use to a higher value use, as it typically increases development rights. This increase in land value should be shared with the community.

The draft Strategy recommends that when the rezoning of land generates a value uplift, that Council require that a proportion of this value uplift be paid to Council as an affordable housing contribution.

It is important to note that value uplift is determined once a developer's costs are accounted for, and therefore the value capture rate itself does not make the development unfeasible.

The value uplift is the difference between:

- The existing use value of the site – this is without capital improvements and is distinct from the market value which factors in development potential, and
- The residual land value given the highest and best use possible with additional development rights (such as a new zoning). This is the value of the land after all development costs and margins for profit and risk are deducted from the anticipated gross sales (or 'gross realisation') upon completion of the project.

The draft Affordable Housing Strategy recommends a value capture rate of 75 per cent of value uplift on the basis that the rate should be as high as possible whilst retaining an incentive for development.

### Strategy 4: Implement Council-wide inclusionary zoning requirements for affordable housing

Inclusionary zoning requirements are based on the need to meet minimum acceptable standards of development. When used for affordable housing, inclusionary requirements are conceptually similar to parking requirements, open space standards, and other mandated planning standards.

The development of affordable housing generates community benefits in the form of socially diverse neighbourhoods and better functioning labour markets. Inclusionary requirements for the provision of affordable housing in new developments will generate these community benefits that would not eventuate without some form of regulation or intervention.

The draft Affordable Housing Strategy recommends an inclusionary zoning rate of 6% affordable housing in Monash which aligns with emerging practice in Victoria.

### **POLICY IMPLICATIONS**

In recent years, there has been increasing policy support for greater invention by Council in facilitating the provision of affordable housing.

This is reflected by the changes to the *Planning and Environment Act 1987* which were detailed in the Background Section which relate to Affordable Housing.

Homes for Victorians: Affordability, Access and Choice (March 2017), and Plan Melbourne 2017-2050 (March 2017) recognise the critical need to increase the supply of affordable housing. Both strategies found that the planning system alone cannot address all of the issues relating to the affordability of housing but acknowledged that there is a role for the planning system to facilitate the supply of affordable housing.

Policy 2.3.3 of Plan Melbourne recognises that there is “a pressing need to increase the supply of social and affordable housing for households unable to afford market-rate housing”.

In order to meet this need, Policy 2.3.3 states:

*“The planning system will be reformed to facilitate the delivery of more social and affordable housing. These reforms will clearly define social and affordable housing, create a clear head of power for affordable housing contributions, and clarify the role the planning system has to play in the delivery of new housing.*

*Reforms will also include new planning provisions or tools to deliver social and affordable housing. These reforms will explore inclusionary zoning and mechanisms to capture and share value created through planning controls. New provisions or tools will be developed in consultation with the community-housing sector, the residential development industry and local government.”*

The Council Plan 2017-2021 includes, as a priority project, advocacy on affordable housing as it is identified in the Council Plan as a key issue impacting Monash.

The Monash Housing Strategy 2014 identified housing affordability as a key issue in Monash. The Housing Strategy recognises that this needs to be addressed.

One of the objectives of the Housing Strategy is:

- To ensure appropriate and affordable housing is available to suit the social and economic needs of the community.

The Housing Strategy includes the following strategies:

- Locate social housing or housing that meets special needs close to public transport and retail and community facilities.
- Require a variety of dwelling sizes and types to promote greater affordability of housing and choice in medium and large urban developments.
- Investigate affordable housing options that can be promoted in the City, including joint ventures with housing associations, developers, and/or other government agencies, or education providers.

The Housing Strategy includes the following actions:

- Monitor the supply of, and demand for, affordable housing and investigate different models aimed at facilitating affordable housing including

evaluating examples of best practice in the provision of well-designed affordable housing.

- Advocate to the State Government for the introduction of new initiatives in support of housing affordability, diversity, and accessibility.
- Investigate affordable housing options that can be promoted in the City, including joint ventures with housing associations, developers, and/or other government agencies, or education providers.

A Healthy and Resilient Monash: Integrated Plan 2017-2021 is relevant to all areas within Council and the community that help to define a healthy city. The Action Plan Year Three 2019-2020 identifies priorities for action associated with A Healthy and Resilient Monash: Integrated Plan 2017-2021.

Two of these actions relate to affordable housing, specifically to:

- Advocate for affordable, innovative and suitable housing options in Monash close to family, friends, social groups, shops and health services.
- Explore the development of an affordable housing strategy.

### ***CONSULTATION***

Subject to Council endorsement, community consultation on the draft strategy will be undertaken over 5 weeks from late April to May.

The proposed consultation will include:

- Notice in the Monash Leader;
- Article in the Monash Bulletin;
- Project Webpage on the Shape Monash Website, including access to the Draft Affordable Housing Strategy;
- Hard copies of the draft strategy available to view at libraries and customer service centres, and
- Letters to interested parties including relevant government departments, non-profit/charity organisations, housing associations, tertiary education providers, major developers, relevant industry groups, and developers who build affordable housing and neighbouring Councils.

### ***FINANCIAL IMPLICATIONS***

The development of the Affordable Housing Strategy was funded in the 2018/2019 Council Budget.

### ***CONCLUSION***

The number of households experiencing housing stress, particularly those with low and very low household incomes has increased and it is predicted will continue to increase. A draft Affordable Housing Strategy has been prepared to provide Council with direction on strategies and actions to address this issues and to assist in increasing the supply of affordable housing in Monash.

The input of the community, through the consultation process, will provide valuable insight into refining and completing this strategy.

The results of the community consultation will be reported to a future meeting of Council for consideration prior to formal adoption of the Strategy.