



Australia's property industry
Creating for Generations

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SUBMISSION TO THE CITY OF MONASH AFFORDABLE HOUSING STRATEGY: INFO SESSION RESPONSE

Introduction

The Property Council of Australia welcomes the opportunity to provide feedback on the Monash Affordable Housing Feedback Session on the City of Monash Affordable Housing Strategy (**Strategy**).

The Property Council acknowledges that housing plays a significant role in Victoria's social and economic prosperity, and the importance of stable secure housing has been highlighted by the ongoing coronavirus pandemic. It is well accepted that a lack of affordable housing can lead to homelessness, poor health and lower rates of employment and education.

Affordable housing requires the cooperation of both government and industry and must remain viable for all parties. Noting this, the Property Council has advocated to the State Government to implement a state-led approach to affordable housing which could streamline affordable housing requirements across all municipalities and manage the delivery of required affordable housing stock.

The creation of multiple affordable housing strategies at local government level is inefficient, confusing and does not maximise industry or governmental effort in relation to affordable housing.

About the Property Council

The Property Council of Australia is the leading advocate for Australia's property industry – the economy's largest sector and employer.

The Victorian Division represents more than 500 members across all aspects of the industry. Its members are architects, urban designers, town planners, social housing providers, builders, investors, and developers. It also works closely with and is a member of the Affordable Housing Industry Advisory Group (AHIAG).

The Property Council supports smarter planning, better infrastructure, sustainability, and globally competitive investment and tax settings which enable its members to make a lasting contribution to the economic prosperity and social well-being of Australians.

Overview

The Strategy tabled by the City of Monash identifies nine priorities within a four-pillar strategy to address affordable housing. The pillars include:

Regulation

- Strategy 1: Continue to support housing diversity and choice through Council's existing planning policies
- Strategy 2: Establish strong and broad policy statements about the need for affordable housing in Monash
- Strategy 3: Require an affordable housing contribution when land is being rezoned
- Strategy 4: Implement Council-wide inclusionary zoning requirements for affordable housing
- Strategy 5: Establish processes to support affordable housing contributions

Partnership

- Strategy 6: Engage with and educate the community on social and affordable housing as important local infrastructure
- Strategy 7: Adopt a relationship building, information sharing and brokerage role between the development and affordable housing sectors

Investment

- Strategy 8: Consider opportunities for affordable housing on appropriate Council owned land

Advocacy

- Strategy 9: Advocate through the Eastern Affordable Housing Alliance (EAHA) for mandatory inclusionary zoning and direct government investment and subsidies

Affordable housing in a COVID-19 economy

The Property Council has serious concerns with the progression of an affordable housing strategy that is underpinned by analysis conducted in a pre-COVID-19 environment.

SGS Economics and Planning acknowledged in the feedback session, held on 3 June 2020 via skype, that COVID-19 has changed the playing field of development and that post-COVID-19 trends were not incorporated into its report upon which the Strategy was based (as they had not occurred when the report was developed). When the facts change, the approach must change.

It is inappropriate to progress with the Strategy in the current economic environment. In Victoria and globally, we are experiencing great uncertainty and an economic downturn of historic proportions.

On 22 April, the Victorian Premier and Treasurer announced that economic modelling produced by the Department of Treasury and Finance showed that because of the pandemic:

- 270,000 jobs will be lost in Victoria by September
- Gross State Product (GSP) will reduce from \$226 billion to \$194 billion in the first half of the calendar year 2020; and
- A fall in property prices of 9 per cent is expected by the end of 2020.¹

At such an uncertain time, additional taxes in the form of mandatory inclusionary zoning will place new developments at significant risk. Without these new developments, far fewer affordable dwellings will be built, completely counter to the City of Monash's policy intent.

Although we agree that the need for stable secure housing is critical – even more so, at a time of great uncertainty, the assumptions underpinning the ability of the private sector to support this initiative are fundamentally incorrect in the current climate.

Feedback on the Strategy Pillars

Regulation

Strategy 1: Continue to support housing diversity and choice through Council's existing planning policies

The Property Council strongly supports investigations into supply-side measures to enable the delivery of diverse and affordable housing stock. It should be the priority of this strategy to invest in and support the delivery of supply side measures that reduce housing stress.

Consideration could be given to mechanisms such as:

1. Relief from design standards – facilitating smaller apartments coupled with significant shared communal areas.
2. Increased land release to increase supply.
3. Incentive payments or tax concessions for developers that include higher numbers of affordable housing dwellings.
4. Higher density / density bonus schemes.
5. Support for the delivery of alternative asset types such as Build-to-Rent.

¹ <https://www.premier.vic.gov.au/new-modelling-confirms-hit-to-economy-unemployment-spike/>

Strategy 2: Establish strong and broad policy statements about the need for affordable housing in Monash

The Property Council does not oppose the establishment of a broad policy statement about the need for affordable housing. However, it would discourage the development of a statement that dictates specific mechanisms, such as inclusionary zoning targets.

Strategy 3: Require an affordable housing contribution when land is being rezoned

The Strategy proposes the Council develop a strategy and policy on value sharing. The policy is proposed to be supported by a planning scheme amendment to mandate affordable housing contributions of 75 per cent of the value uplift on rezoned land.

The Property Council is concerned that this approach will represent a significant cost to development when considered in concert with existing development contributions and taxes. Additionally, consideration also needs to be given to the cost impost of existing planning requirements such as the Better Apartment Design Standards and the additional standards due to be introduced later this year. The layering of additional charges in a market downturn could render development unviable and have the unintended consequence of reducing new residential development required to maintain housing affordability.

During the feedback session, it was mentioned that most of the land being considered for rezoning is industrial land. In a media statement on 6 April 2020, when speaking about the release of the Melbourne Industrial and Commercial Land Use Plan (the ICLU Plan), Minister for Planning The Hon Richard Wynne MP said the ICLU Plan “will guide and protect the future use of our industrial and commercial land across Melbourne....people need jobs close to where they live – that’s why industrial and commercial land is critical for our growing communities”.

The ICLU Plan confirms that since 2000-01, more than 2400 hectares of industrial land across greater Melbourne has been rezoned to allow for other uses. There is already significant pressure on the industrial land supply pipeline in the Eastern Region where the City of Monash is located and demand for vacant industrial land is expected to grow in the coming years.

Any policy decision that favours the rezoning of industrial land should be carefully considered within the parameters of the ICLU Plan and any municipal-wide industrial land use strategy within the City of Monash. The Property Council is concerned that incentivising industrial rezoning to achieve affordable housing in the City of Monash contradicts the policy intention of the ICLU Plan.

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

The Property Council opposes the introduction of mandatory inclusionary zoning on private land.

The provision of appropriate levels of affordable housing is reliant on several complex policy and market factors. It is not realistic to expect this issue to be solved by the property development industry alone, particularly given chronic and repeated under-investment in social housing by successive State and Federal governments. The issue of affordable housing is one that governments have not meaningfully addressed or solved despite its recognised community and economic impacts.

In many Australian jurisdictions, legislators (particularly elected representatives in local government) appear to be contemplating a form of inclusionary zoning. The Property Council’s members are increasingly required to include affordable housing in their developments and

these policies have been created in an ad-hoc manner, often with no consideration of project-specific economic viability impacts which may result in the project not proceeding and exacerbating the lack of affordable housing.

Mandatory inclusionary zoning operates as a tax on at-market dwellings and can result in consequences that are counter to the policy objective of providing more affordable housing. Mandating affordable housing requirements in private developments poses a significant commercial disadvantage to landowners who purchased land at market prices based on prevailing policy settings, unencumbered by inclusionary zoning requirements. Mandatory inclusionary zoning effectively devalues sites currently held, commonly resulting in:

- sites not being sold or developed, limiting housing supply and further hampering the delivery of affordable housing and reducing affordability; or,
- additional costs being borne by other purchasers in the development through increased purchase prices in order to maintain project viability and secure finance.

Studies have shown that increased statutory “fees”, including costs associated with inclusionary zoning, can have significant negative effects on land prices² and have found a significant negative correlation between those fees and the number of new homes built.³

Existing landowners should not be subject to changes in regulation which subsequently prevent or constrain their ability to develop or deal with that property. To do so fundamentally alters the premise upon which the land was purchased and amounts to a tax on that landowner. Changes in government policy to this effect create sovereign risk and discourage both individual and institutional investment in Victoria.

Despite the Property Council’s position on mandatory inclusionary zoning on private land, we acknowledge that there may be limited circumstances in which mandatory inclusionary zoning may be appropriate. This is the case where it:

- a. occurs on government land; and
- b. is clearly identified in any master planning or bid documents issued by government; and
- c. is not imposed after a procurement process.

Earlier this year, the Property Council made a submission to the *Planning Mechanisms for Affordable Housing Ministerial Advisory Council*. Attached to this submission (**Attachment 1**) is the complete submission which outlines our full opposition to mandatory inclusionary zoning.

While this submission was drafted before the COVID-19 outbreak, the ‘sovereign’ risk impacting investment in Victoria, along with the broader economic impact, has even greater emphasis now given COVID-19 than what was considered when the attached submission was finalised.

Strategy 5: Establish processes to support affordable housing contributions

² Ihlanfeldt and Shaugnessy, *An empirical investigation of the effects of impact fees on housing and land markets* (2004).

³ Skidmore and Peddle (1998).

The discussion paper proposed that the City of Monash develops a section 173 agreement template to provide options for developers to make affordable housing contributions.

Already in existence is an example Affordable Housing Agreement based on section 173 which was developed by DELWP to help responsible authorities and landowners to negotiate voluntary Affordable Housing Agreements.⁴ The example agreement contains a selection of optional clauses that could be included in an Affordable Housing Agreement. The Property Council proposes that if a template agreement is adopted by the City of Monash, it should reflect the existing template agreement to ensure consistency and certainty.

The Property Council supports and encourages the establishment of annual reporting to demonstrate the collection of revenue and the allocation of funds towards the delivery of affordable housing in the municipality.

Partnership

Strategy 6: Engage with and educate the community on social and affordable housing as important local infrastructure

The Property Council supports this initiative, however, it seeks assurances that education programs will not be funded by private sector affordable housing contributions.

Strategy 7: Adopt a relationship building, information sharing and brokerage role between the development and affordable housing sectors

The Property Council is generally supportive of this initiative. It proposes that consideration be given to probity measures that might be required to ensure the equity of the proposed program.

Investment

Strategy 8: Consider opportunities for affordable housing on appropriate Council owned land

The Property Council is supportive of the City of Monash and other municipalities delivering affordable housing on government owned land.

The Proposal to develop and test a process for developing appropriate Council owned sites for affordable housing outcomes should precede any private sector inclusionary zoning targets.

The Property Council proposes the City of Monash use the test process to determine the current economic impacts on investment returns and project feasibility.

Advocate

Strategy 9: Advocate through the Eastern Affordable Housing Alliance (EAHA) for mandatory inclusionary zoning and direct government investment and subsidies

As noted above, the Property Council opposes the introduction of mandatory inclusionary zoning on private land, be it led at a council or state level.

Through engagement with the Affordable Housing Industry Advisory Group (AHIAG) - a member-driven group that aims to utilise industry expertise to inform government decision making to support the development and delivery of Affordable Housing policies that are

⁴ https://www.planning.vic.gov.au/__data/assets/pdf_file/0026/215297/Final-Example_Agreement.pdf

sustainable and viable - the Property Council has called on the State Government to fund significant direct investment into the sector.

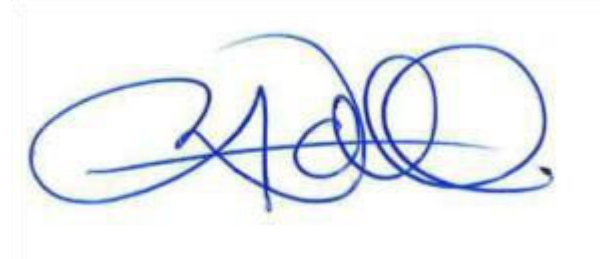
As noted above, at such an uncertain time, additional taxes in the form of mandatory inclusionary zoning will place new developments at significant risk. Without these new developments, far fewer affordable dwellings will be built, exacerbating supply challenges and consequently the delivery of affordable dwellings across Victoria.

Next steps

We look forward to continuing to engage with the City of Monash on strategies to promote the delivery of affordable housing within the municipality.

If you require further information or clarification, please contact Emily Young, Senior Policy and Communications Advisor, on 0475 161 328 and eyoung@propertycouncil.com.au.

Yours sincerely,



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