

Affordable Housing Agreements

A guide for developers



What is Affordable Housing?

Affordable Housing is housing that is appropriate for very low, low, and moderate-income households. With an eligibility requirement, and by putting in place an allocation process, councils and community housing organisations are seeking to ensure that Affordable Housing goes to those that need it and that they can afford it.

Why am I being asked to provide Affordable Housing?

An uplift in the value of land occurs when a planning permit is issued or land is rezoned. Recognising the significant demand for Affordable Housing, and reflecting this objective in the *Planning and Environment Act 1989*, councils are seeking to share some of that uplift with the community through the provision of Affordable Housing.

A council may be able to offer you incentives such as allowing additional height in order to encourage you to include Affordable Housing in your development. Such incentives would be considered only if the site and its surrounds can support it, and if the amount of Affordable Housing warrants it.

What are the options for including Affordable Housing in my proposal?

There are different ways you can include Affordable Housing in your proposal. You could:

- gift some dwellings to a registered housing agency
- sell some dwellings at a discount to eligible households or a registered housing agency
- offer discounted rent to eligible households for some of the dwellings
- provide land for Affordable Housing to be constructed
- provide a cash contribution in lieu of dwellings or land.

It is critical that your proposal actually delivers Affordable Housing outcomes (rather than just delivering lower-cost housing) and that the proposal is viable for the owners or managers of the Affordable Housing.

As there are different options and implications of each option, we encourage you to talk to council's planning staff at the earliest point in your proposal to find an option that works for you.

Do I need to find a community housing organisation to partner with?

Community housing organisations (CHOs) are not-for-profit organisations that provide housing for eligible households. They have skills and experience in developing and managing Affordable Housing. If you want a CHO to own or manage the Affordable Housing in your proposal, it is important that your proposal is structured so that it is viable for a CHO to participate. This may mean agreeing to a significant discount from purchase price and/or establishing ways that the CHO won't be burdened with large owners corporation costs.

Due to the long timeframes required to rezone or develop a property, it may not be feasible to lock in a specific CHO early in the process, but you should still be aware of their requirements.

What is in an Affordable Housing report?

You may be asked to provide an Affordable Housing report as part of your proposal. The report should be a site-specific proposal for the provision of Affordable Housing. You should include:

- the proposed yield of the site (all dwellings)
- the proposed Affordable Housing contribution (quantum and discount)
- the period of time that the properties will remain as Affordable Housing.

You may also include some commentary on the demand for Affordable Housing in the location or municipality if that has guided your specific response to Affordable Housing.

Can I just nominate a percentage of dwellings that will be Affordable Housing?

It is not enough to simply say how many dwellings in your development will be Affordable Housing. It is essential that you also indicate the discount that will be offered so that the value of the contribution is clear. Problems can be created when it comes time for the agreement to be implemented if an agreement says that 5% of the dwellings will be Affordable Housing, but does not indicate who will pay for or subsidise the dwellings.

An Affordable Housing agreement should set out the:

- quantum of housing (percentage of dwellings or percentage of floorspace)
- discount on those dwellings (percentage discount from market value up to 100% discount)
- period of time that the properties will remain as Affordable Housing.

Agreeing to the method to calculate the Affordable Housing contribution allows that contribution to move with the market and also provides flexibility so that the value of the contribution can be converted into cash or an alternative delivery mechanism if need be (eg. more dwellings with a smaller discount or fewer dwellings with a larger discount).

Why do we need a Section 173 Agreement?

Affordable Housing negotiations and agreements are voluntary, but it is important that once an agreement is reached it is secured through a Section 173 Agreement. This is to ensure that the Affordable Housing contribution will actually be delivered. This agreement is particularly important if the site changes hands prior to the development being finished, or where council has made a concession (eg. additional height or reduction in carparking requirements) to facilitate the provision of Affordable Housing.

Where can I find further information?

Council planning staff can discuss Affordable Housing with you as part of your proposal. The Community Housing Industry Association Victoria (CHIA Vic) and the Municipal Association of Victoria (MAV) have prepared a report and Toolkit that are available at

chiavic.com.au/affordable-housing-toolkit

There are also Affordable Housing consultants you can engage, and the Department of Environment, Land, Water and Planning (DELWP) has put together information for landowners / developers.

planning.vic.gov.au/policy-and-strategy/affordable-housing