



Housing All Australians

Our Big Vision

An Australia where everyone has a stable place to call home;
no matter if they are rich or poor



Our Big Vision

To harness the ability of the private sector and collaborate to address the chronic shortage of low income housing



Our Values

- Thinking with an intergenerational perspective
- Delivering long term value to Australian Taxpayers
- Bi-Partisan collaboration across business



Investigation of a Private Market Affordable Rental Housing Delivery Model - for Use in Negotiating Voluntary Planning Agreements

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Inner Melbourne Action Plan
Making Melbourne More Liveable



Fishermans Bend

What is the Inner Melbourne Action Plan (IMAP)?

Inner Melbourne Action Plan
Making Melbourne More Liveable



- A collaborative partnership between the Inner Melbourne Region's Cities of Melbourne, Port Phillip, Stonnington, Yarra and Maribyrnong.
- Purpose: to strengthen the liveability, attraction and prosperity of the region through a range of strategies that enable joint initiatives/projects.
- One strategy is 'Supporting residential growth and housing choice'.
- City of Port Phillip has led three IMAP projects:
 - **Inclusionary Zoning** - investigation of a proposed IZ scheme for the Inner Melbourne Region (SGS Economics & Planning 2004 - 2010)
 - **Community Land Trusts** - development of a guide to establishing CLTs in Australia (The University of Western Sydney and other partners (two publications: 2013, 2019))
 - **This project** - investigation of a Private Market Affordable Rental Housing Delivery Model (PWC, 2019)

Why IMAP is interested in investigating the PRADS model

- The housing affordability problem has broadened and deepened over the last 10 - 20 years in the Inner Melbourne Region.
- This has resulted in those affected by housing affordability increasing from the lower 50 - 60% of the income spectrum in 1995 to the lower 70% of the income spectrum now.
- Many households are now locked out of home ownership and forced to remain permanently in private rental housing - in growing housing stress.
- This means there is a greater need for affordable housing products across the spectrum of need, in particular targeting moderate income households and key workers, e.g.:
 - Rent to Buy
 - Shared Equity Housing
 - Community Land Trusts
 - NRAS (continuation of)
 - Affordable Build to Rent (the purpose of this project)

Why IMAP is interested in investigating the PRADS model

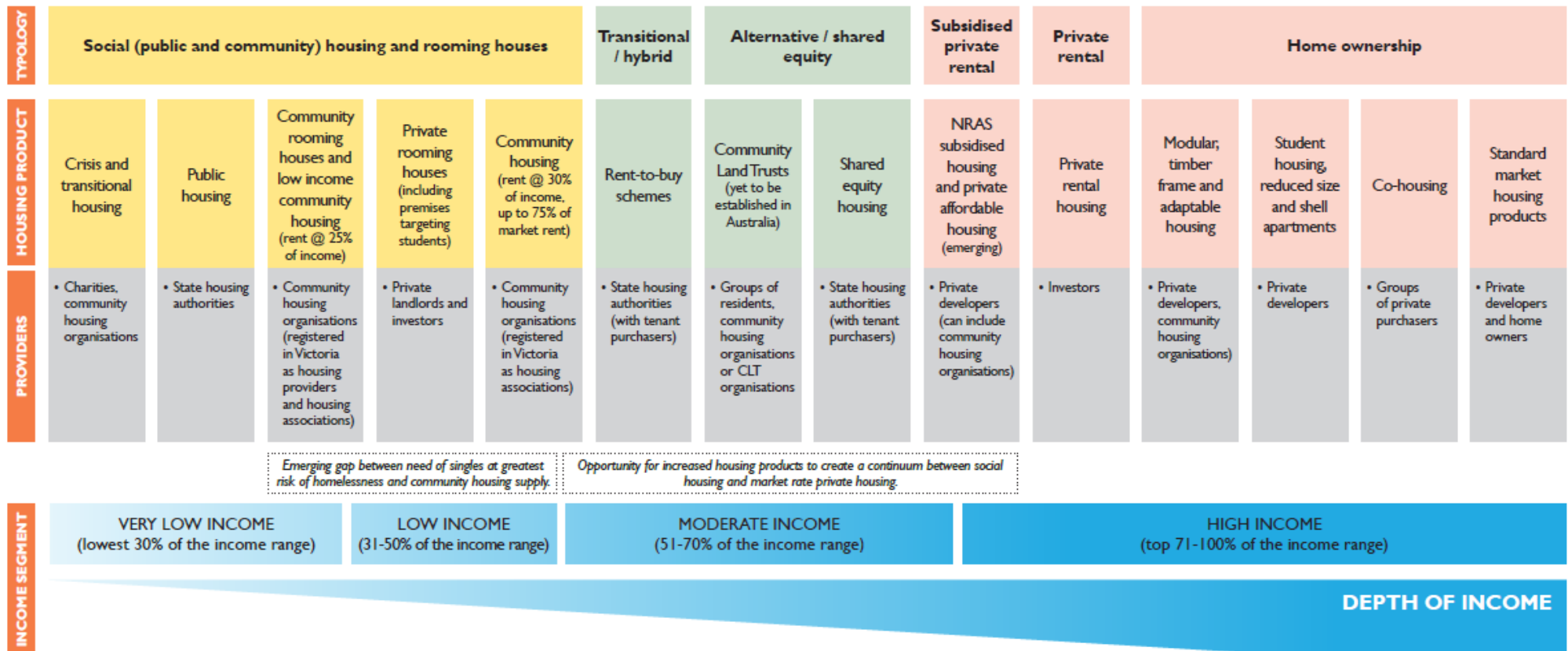
Without a greater level of such private affordable housing products, social and economic problems will increase:

- **Greater social polarisation** - between social housing (very low and low income) and market rate private housing (upper moderate - high income)
- **No / limited housing choice** - for moderate income households / key workers, and households moving up or down the housing spectrum as their circumstances / life cycles change - creating bottlenecks in the housing system
- **Economic inefficiencies** - for regions that have unaffordable housing, and rely on key workers (and low income wage earners), who need to travel long distances to work.
- **Increasing demand for social housing** - from households unable to sustain private rents and move into housing poverty



Spectrum of Housing Products

DEPTH OF SUBSIDY



DEPTH OF INCOME

Why IMAP is interested in investigating the PRADS model

It is imperative that the private sector be engaged to help deliver affordable housing as:

- The social housing system is unable and unsuitable to address the scale of the need
- There are no mandatory planning mechanisms in Victoria (eg. Inclusionary Zoning) requiring the private sector to contribute to the delivery of affordable housing, with limited exceptions being:
 - City of Melbourne - Amendment C270 Built Form Controls
 - Fishermans Bend - Social Housing Uplift incentive
 - Site-specific planning controls, eg. Development Plan Overlays
- The ability of voluntary planning agreements in Victoria to deliver affordable and social housing has been enhanced by the Victorian Government, under *Plan Melbourne*, and *Homes for Victorians* policy:
 - Defining social and affordable housing (and associated very low, low and moderate income ranges)
 - Amending the Victorian Planning Provisions
 - Development of model s173 Agreements for affordable housing
 - Guidelines for use of s 173 Agreements for social and affordable housing

What is the IMAP project?

Available planning mechanisms are voluntary, so it is necessary that a new model is developed that can operate along side / in tandem with a range of other programs, subsidies and mechanisms. The base PRADS model was of considerable interest as it was potentially capable of:

- 1. Being attractive to private developers** - with a range of financial and planning incentives to leverage the number of affordable dwellings delivered
- 2. Achieving scale** - a large scale of privately delivered affordable housing, at a faster rate than conventional options:
 - Gifting - of apartments to registered community housing agencies
 - Discounted sale - developers seeking to sell a % of apartments at discounted prices to registered community housing agencies
- 3. Providing long-term affordability** - and avoiding the problems experienced with expiring US negotiated regulatory agreements
- 4. Affordability** - safeguarding the affordability of the housing through a range of governance arrangements, to avoid default and enforcement

What is the IMAP project?

The project investigation is being undertaken by PWC on a pro-bono basis.
It will:

- Provide modelling that determines the trade-off between 1. the discounted rent (eg 20% - 50%) and 2. the number of affordable housing dwellings provided (with clear options for local government)
- Identify the affordable housing products and opportunities most applicable to the model, e.g.
 - Build to Rent that is affordable
 - Volume leasing of vacant apartments held by developers
 - Private development in Fishermans Bend urban renewal area
 - Private development in other parts of the region
- Define the minimum necessary development margin (relative to risk) to achieve development viability under hypothetical development scenarios
- Identify the incentives necessary to bridge the gap between market and discounted rent, and therefore encourage greater private sector take-up of voluntary planning agreements

What is the IMAP project?

The expanded range of options for incentives include:

- The value attributed to the market perception of private property management
- Fast tracking of development approval, and the potential for such developments to become Victorian Civil and Administrative Tribunal (VCAT) priority cases under the Major Projects List
- Financial structures that may provide investors with tax offsets, eg. a Unit Trust
- Investigation of any tax arrangements for investors that could be sought, based on existing precedent or potentially relevant concessions
- Any Commonwealth and State programs that could provide subsidies or finance, subject to the model becoming eligible, eg. Bond Aggregator
- Reimbursement of local government rates (all or part)
- Reduction of Owners Corporation fees payable by investors of affordable rental apartments

Project process

- The project will conclude in September with a presentation of the report to IMAP
- If adopted, it will be up to each IMAP Council to determine how it wishes to use the model in negotiations, eg. target development types, the package of incentives, how they trade-off the level of discounted rent and number of units
- The report and modelling will be placed in the public domain to share with any interested party.



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