



Providing social housing as essential infrastructure in Geelong's KSPAs

City of Greater Geelong

21 | 12 | 2021





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1. Introduction

Due to a pattern of underinvestment in social and affordable housing in Geelong, a significant portion of the community finds itself in need of some form of housing assistance. Like open space, schools and other community facilities, social and affordable housing is essential infrastructure necessary for the formation of successful communities. The town planning approach to the provision of social and affordable housing should be like that applied in the provision of other essential infrastructure items in Geelong's growing Key Strategic Planning Areas.

1.1 Project context

Currently there are only 3,300 social housing dwellings in Geelong. The City of Greater Geelong (CoGG) estimates that 7,200 households in Geelong are in urgent need of social housing, with approximately 6,400 living in the private rental market and paying more than 30 per cent of their income on rent. A further 900 persons are without a home. Including those living in existing social housing stock, the estimated total demand for social housing in the City today is estimated at 10,500 dwellings.

Geelong's *Social Housing Plan 2020-2041* (SHP) demonstrates that the estimated total demand for social housing in Geelong is far greater than the current number of social housing units in the City. In addition, the plan shows that there is a need to deliver 13,500 new social housing units over 20 years. This includes the replacement of 1,500 existing public housing dwellings that will come to the end of their economic life within that period. This equates to the delivery of an average of approximately 675 social housing dwellings (or an investment of \$235 million) per annum to 2041.

The SHP outlines 5 key goals for increasing supply of social housing across the City:

1. Increase the supply of social housing from the current three per cent to seven per cent of total households by 2031 (an estimated increase in supply of 6,000 dwellings) and to 10 per cent by 2040 (a further 6,000 dwellings)
2. Increase the supply of social housing through the provision of City owned land for social housing developments, and a new requirement for all development on City owned land to contribute to an increased supply of social housing.
3. Maximise State and Commonwealth investment in new social housing across the City.
4. Amend the City of Geelong Planning Scheme to require the inclusion of social and affordable housing in new development based on identified need.
5. Complete an 'Urban Refreshment' of areas of high social housing concentration to enhance the utilisation and quality of social housing and increase the liveability and social wellbeing of these areas.

The SHP further states that “future housing development will include a meaningful contribution to meeting the identified needs for social and affordable housing where there is a demonstrated uplift in land value”.

1.2 Project purpose

The purpose of this project is to assist CoGG to achieve the goals of the SHP with a particular focus on progressing implementation of Goal 4. That is, to utilise recent amendments to the *Planning & Environment Act 1987* (the Act) to negotiate the inclusion of appropriate and meaningful social and affordable housing contribution in nominated Key Strategic Planning Areas (KSPAs) where infrastructure investment and proposed site rezoning are expected to result in land value uplift.

An overview of each KSPA addressed in this report is provided in Table 1, with the location of each shown in Figure 1.

TABLE 1: KSPAS OVERVIEW

PRECINCT	TYPE	DESCRIPTION
South Geelong	Established Infill	<p>South Geelong is a southern suburb of Geelong made up of single storey, detached dwellings, and several heritage dwellings.</p> <p>Proposed plans for the precinct include the promotion of a diversity of built form and high-quality urban environments. The precinct is intended to accommodate significant housing change in Moorabool Street, the Barwon Water Site and Station Precinct (key development areas).</p>
Marshall Precinct	Greenfield	<p>The Marshall precinct is approximately seven kilometres south of Central Geelong and is bounded by significant public transport infrastructure (Marshall train station and proposed Geelong to Waurun Ponds passenger line) and arterial roads including Barwon Heads Road and the proposed Bellarine Link Road.</p> <p>A vision is in place for Marshall to be an “attractive, liveable and connected neighbourhood that links seamlessly with the existing Greater Geelong urban area”. The Marshall Precinct Structure Plan commits to a range of housing densities in three distinct sub-precincts (Station Precinct, Walkable catchment, and Wider precinct) to provide housing diversity and maximise access to transport networks and connections.</p>
Elcho Road East	Greenfield	<p>Elcho Road East precinct is described in the Northern & Western Geelong Growth Areas Framework Plan as scheduled for development in the short term (pg.227). The growth area of 485 hectares is bounded by Bacchus Marsh Road to the East and Staceys Road to the North.</p> <p>The Framework Plan outlines principles for housing development with a direction to “increase housing diversity in growth areas through the delivery of a broad range of lot size, capable of accommodating a variety of different housing types, including the identification of locations appropriate for mixed use, high and medium density housing in strategically identified locations”.</p>

Creamery Road	Greenfield	<p>The Creamery Road precinct is bordered by Geelong Ring Road to the east and the Geelong Ballarat Railway to the north.</p> <p>The Northern & Western Geelong Growth Areas Framework Plan (2020) shares a vision for the growth areas to “exemplify Geelong’s transformation as a clever and creative city by building diverse, localised and sustainable neighbourhoods that prioritise self-sufficiency whilst maximising connections to the Geelong community, economy and identity”.</p>
Pakington Street	Established Infill	<p>The areas around Pakington Street are within 1.3 km of Central Geelong, and approximately 700m from Geelong Station and the waterfront. They benefit from accessibility to the employment and recreation opportunities these areas provide.</p> <p>Pakington Street is a key north-south road that runs across the established residential suburbs of Geelong West and Newtown, offering connections to the Barwon River.</p> <p>The precinct includes the Rail Siding Yards (2.3 ha and 200m continuous frontage). This site currently represents a disconnection between the two ends of the precinct. The UDF highlights an opportunity for residential upper floors.</p>
Gordon Avenue	Established Infill	<p>The Gordon Avenue precinct is an established commercial area 1.3km from Central Geelong and 700m from the Geelong Station and waterfront. The precinct currently supports a limited mix of uses, mostly bulky goods, industrial and office.</p> <p>A vision is in place to develop Gordon Avenue Precinct as a “a vibrant mixed use 'village' that provides an appropriate transition from the low-density character of the surrounding residential area to the future high-density scale of Central Geelong. Housing will cater for the needs of a diverse community and a range of lifestyles, while showcasing design and ESD excellence”.</p>
Saleyards	Brownfield	<p>Geelong Saleyards is a brownfield industrial site strategically located with respect to Central Geelong and the North Geelong Railway Station. It currently hosts the Geelong Saleyards, Target Australia, the Sphinx Hotel and associated landholdings/industrial zoned land to the north of these sites. The Saleyards Precinct Plan proposes mixed development with a focus on housing as the preferred land use. The precinct has the potential to accommodate high-density housing.</p>

FIGURE 1: KSPA LOCATIONS



Source: City of Greater Geelong (2021)

1.3 Report structure

Following this introduction, the remaining chapters of this report are structured as follows:

- **Section 2** provides the strategic justification for implementing social and affordable housing contributions.
- **Section 3** determines the appropriate social and affordable housing contributions rate for each KSPA.
- **Section 5** presents the planning tools available for implementation.
- **Section 6** provides a summary of key findings and concluding statements.

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2. Strategic justification

This section introduces the four frames of development contributions and presents the strategic justification for seeking contributions for social housing as essential infrastructure in Geelong's KSPAs

2.1 Social and affordable housing as essential infrastructure

Safe, adequate, affordable and appropriate housing is critical to health, wellbeing and social and economic security.”

Australian Housing and Urban Research Institute (2019)

As a form of spatially fixed, materially realised capital expenditure that supports a range of social objectives in areas like public health and economic development, social and affordable housing – like transport networks, water cycle management, open space systems, hospitals and clinics, schools and other community facilities – is a form of essential social infrastructure.¹

There is a strong precedent internationally and in Australia for conceptualising social housing as essential infrastructure. In Victoria, this is evidenced in:

- Victoria's infrastructure strategy 2021-2051, where social housing is listed as a priority infrastructure sector².
- State Government policies on comprehensive development of other urban areas, for example, Fishermans Bend.

As essential infrastructure required for the formation of successful communities across Greater Geelong the planning system should, in principle, support the delivery of social housing in the same manner applied for other forms of essential infrastructure.

Planning for social housing as essential infrastructure:

- Should be geared to the inter-generational needs of the place, as distinct from the presenting characteristics of the current generation of residents.
- Require all proponents who will reshape Geelong over the next 30 years to contribute, regardless of use and project size of any given development.

¹ Lawson, J., Denham, T., Dodson, D., Flanagan, K., Jacobs, K., Martin, C., Van den Nouweland, R., Pawson, H. and Troy, L. (2019) Social housing as infrastructure: rationale, prioritisation and investment pathway, AHURI Final Report No. 315, Australian Housing and Urban Research Institute Limited, Melbourne,

² Infrastructure Victoria (2021), Victoria's Infrastructure Strategy 2021-2051. Available: <https://www.infrastructurevictoria.com.au/wp-content/uploads/2021/08/1.-Victorias-infrastructure-strategy-2021-2051-Vol-1.pdf> page 107

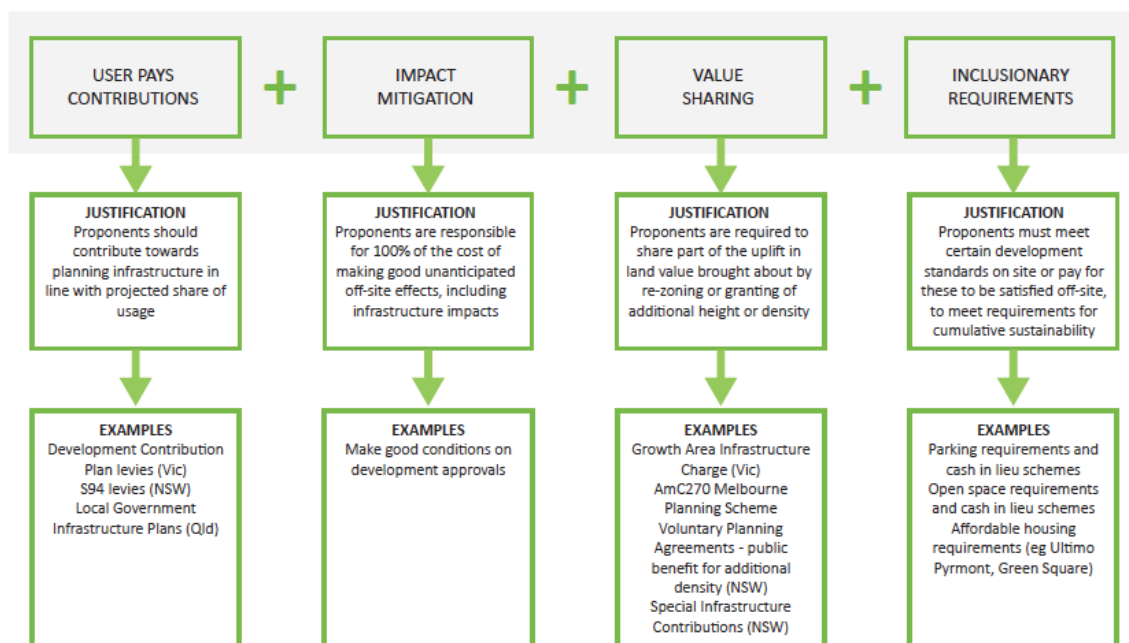
2.2 Understanding development contributions for social housing

Requirements of proponents to provide social housing must be understood in the context of the gamut of development contributions which might apply in the plan making and development assessment process. Conceptually, any requirement for a development contribution will fall into one of four mutually exclusive and additive categories. These are:

- **User charges:** These are payments required of developers to help fund planned infrastructure which will be used by the development in question. A key principle is that developers should contribute in proportion to their expected share of use of the infrastructure items in question. Development Contributions Plan levies under the Planning and Environment Act operate on user charges principles, as do payments exacted under the Infrastructure Contributions Plan provisions of the Act.
- **Impact fees:** Whereas user charges apply to *planned* infrastructure, impact fees apply when a development creates unanticipated demands on local infrastructure because of its particular design or timing.
- **Value sharing arrangements:** ‘Value sharing’ or value capture contributions target all or part of the uplift in the unimproved land value that follows from an infrastructure investment, site rezoning or development approval which allows for a higher value or more intensive land use. Value sharing requirements are premised on the principle that development rights are reserved by the state under planning laws. That is, the community is entitled to charge what amounts to a licence fee for access to state granted development rights, and the value of this fee should be proportionate to the lift in land value associated with the development rights in question.
- **Inclusionary requirements:** Inclusionary requirements are about ensuring that successive developments meet community expectations in relation to liveability, efficiency and sustainability. Parking and open space requirements, or their cash-in-lieu equivalents for off-site provisions are examples.

An overview of the frames and the justification for each is shown in Figure 2.

FIGURE 2: FOUR FRAMES OF DEVELOPMENT CONTRIBUTION



Source: SGS Economics & Planning Pty Ltd

Of the four types, user charges and impact fees provide the weakest rationale for seeking contributions for affordable housing. It is difficult to conceive of social housing contributions as a user charge due to the lack of a clear usage nexus between new development and the demand for social housing. The impact mitigation frame is inadequate in that it can only be employed to compensate for a loss of existing social housing stock, rather than expanding the stock of social housing.³

Contributions to social housing contributions have a strong justification under the value capture and inclusionary requirement frames.

The approach to be adopted in the KSPAs sees social housing as essential infrastructure to be delivered via an inclusionary requirements mechanism.

2.3 Inclusionary requirements for social and affordable housing

As noted, inclusionary requirements for affordable housing are conceptually similar to parking, open space and other planning standards in urban development, and like these other standards are justified on economic efficiency rather than redistributive grounds.

Along with other forms of infrastructure, social and affordable housing is distinguished by its externalities. These are threefold:

- Facilitating supply of essential workers and skills for the regional economy.

³ Although, Council would be wise to seek impact mitigation fees if a development would result in the loss of affordable housing in each development.

- Mitigating after-housing cost-poverty for low-income households.
- Creating better neighbourhoods by supporting diversity and inclusion in placemaking.

Against this background, we can say that if an area is allowed to develop without sufficient social and affordable housing it will, in time, generate adverse externalities in extra social expenditures, diminished productivity in local labour markets, poorer place quality and foregone benefits of cohesion. A relevant analogy could relate to allowing a neighbourhood to progressively develop without sufficient open space or with a poorly functioning road network.

Within this framework, inclusionary provisions for social and affordable housing would be strictly justified on managing externalities in the use of land. That is, they are warranted on economic efficiency grounds, in an endeavour to create the optimal net community benefit from urban development. They ought not to be confused with a redistributive mechanism, even though the resultant affordable housing would be systematically benefitting lower income groups.

2.4 Market impacts

A developer will value a property on a residual basis. As a price taking agent in the market, the developer will pay no more for a site than the residual after all development costs and margins for profit and risk are deducted from their anticipated gross sales (or 'gross realisation') upon completion of the project.

Note that the development proponent cannot simply pass costs forward in higher prices for their product. These prices are set exogenously by the market.

Thus, if the proponent is confronted with a requirement to provide for affordable housing, the additional development costs will ultimately be reflected in a lower supportable bid price for the development site, that is, a lower residual land value (RLV).

The cost of the inclusionary requirement arrangement prosecuted through the planning system is borne by the land seller rather than a development proponent or end buyer. In this context, it is important to distinguish between three categories of agents in the land development process when considering the market impacts of inclusionary requirements.

- 'Original' owners of land, with no development aspirations themselves, but looking to sell their property to a developer in due course
- Investors or land traders who are not intending to develop in their own right but rather to generate an appropriate return by acquiring property at a pre-rezoning rate, shepherding it through the Planning Scheme amendment process and then selling to a developer, and
- Developers who have purchased the land recognising that it is 'due' to be rezoned and are looking to feed the property in question into their production pipeline.

A new inclusionary requirement in the planning system, whether applied to social and affordable housing or some other infrastructure will have different impacts across these sectors:

- The **first of these groups ('original' owners)** would see a reduction in final price paid to purchase their land compared to what they might have otherwise expected. Nevertheless, they would remain motivated to release their land to a developer if the opportunity arose, provided they

retained *some* premium on the next best use of their asset. Usually, the net present value of a sale would be significantly higher than that of the existing land use.

- Depending on their due diligence, **the second group (investors or land traders)** may also suffer a loss of value versus expectation. From a public interest point of view, this is not problematic so long as the land traders ultimately release their properties to bona fide developers. Again, rational investment behaviour would suggest they would absorb losses and move on.
- With respect to **the third group (developers)** the impact of the inclusionary requirement will also depend on their due diligence. If they have made their acquisitions relatively recently – and most listed developers buy land on an as needed basis rather than landbank- they will have made due provision for the requirement in their development equation.

In principle, an inclusionary requirement scheme will only adversely affect the supply of housing or development generally if the RLV of the land in question is reduced to a point where it no longer provides a reasonable premium on the highest and best use of the land prior to development approval or rezoning. As we discuss below, this premium can be taken to be around 20% or 25%, based on best practice in other jurisdictions.

3. Calculating social housing contribution rates

This section describes the methodology for determining social housing contributions for each of Geelong's Key Strategic Planning Areas (KSPAs) based on the inclusionary requirement principle.

3.1 Delivering social housing through the development approvals system

As stipulated in Council's SHP, meeting current and forecast need for social and affordable housing is well beyond the capacity of any local government and requires a shared commitment across government and industry to address.

The appropriate role of various contributors can be considered by examining the benefits generated through adequate provision of social and affordable housing infrastructure (as discussed in Section 2). These are three-fold:

- To facilitate supply of essential workers and skills for the regional economy.
- Mitigating after-housing cost-poverty for low-income households.
- Creating better neighbourhoods by supporting diversity and inclusion in placemaking.

As the Commonwealth Government is responsible for social security, the mitigating poverty benefit is squarely in its bailiwick. Similarly, the State Government has primary responsibility for spatial labour markets. The second benefit – maintaining local skills supply – therefore rests with the State. Responsibility for the third benefit to do with neighbourhood effects rests with developers and the planning system; that is, those involved in creating better places.

Taking each of the benefits to be of equal importance to the entire community of Geelong - an approach not otherwise refuted in academic literature or government policy – would require that the Federal Government, the State Government and the development process and planning system each deliver one third of the overall measured need for social and affordable housing in Geelong.

3.2 Determining an appropriate contributions rate

Establishing a universal requirement for social housing infrastructure

Given that social and affordable housing is essential infrastructure, required for the long term sustainability of all communities, the need for it in any given community ought to be established on consistent per capita ratios. Broadly speaking, all communities in Victoria require a similar proportion of social housing stock, in the same way that they all require similar rates of parkland provision.

It is therefore appropriate to adopt a state-wide percentage rate of need in determining a social housing contribution rate in Geelong.

SGS has assessed that the current need for affordable rental housing in Victoria, inclusive of social housing as defined in the Planning & Environment Act, amounts to 14 per cent of all households (see Table 2).

Assuming that rents and incomes will trend in unison for the foreseeable future, 14 per cent of all housing is considered a reasonable measure of the requirement for social and affordable housing across all communities in Victoria and Greater Geelong to 2050.

TABLE 2: HOUSEHOLDS REQUIRING SOCIAL AND AFFORDABLE HOUSING IN VICTORIA, 2016

CATEGORY	FIGURE
Homeless	24,818
In social housing	71,358
In severe rental stress in the private sector	137,484
In moderate rental stress in the private sector	116,338
Total households experiencing rental stress	349,998
Total households	2,416,554
Percentage of total households in \ rental stress	14%

Source: SGS Economics & Planning, based on ABS Census 2016 and VIF 2016

On this basis, need for social housing in each KSPA has been assessed at 14 per cent of total future dwellings with one third of these reasonably expected to be delivered via the planning and development approval process.

In greenfield areas, social housing contributions have been determined by apportioning required future social housing floorspace across all expected marketed residential and non-residential floorspace. A similar approach has been applied in those infill areas where projections of future development are available. In infill areas where the quantum of future marketed floorspace is unknown, contributions have been determined based on municipality wide estimates of marketed floorspace.

Social housing inclusionary requirement – greenfield areas

Table 3, Table 4 and Table 5 set out the calculation of what each successive unit of development in greenfield KSPAs should provide by way of meeting the 4.7 per cent (1/3rd of 14 per cent) target for social housing funded via the planning process in Creamery Road, Elcho Road East and Marshall KSPAs respectively. As these are greenfield areas, where the primary trigger for an affordable housing

contribution will be at the subdivision stage, the inclusionary provision is expressed as a cash amount per net developable hectare. It is also expressed in terms of a social housing floorspace contribution per marketed floorspace rate to cover those situations where proponents come forward with built form as well as subdivision proposals.

Note that in all cases the inclusion rate for social and affordable housing is 0.045 sq m for each sq m of marketed floorspace of all land use types. This uniformity is an outworking of the common assumption across all three areas that non-residential floorspace will comprise 15% of all floorspace. However, the cash contribution rate per net developable hectare varies significantly with differences in planned development density across the greenfield areas.

Saleyards

Table 7 presents the relevant inputs and results for the Saleyards brownfield area. The affordable housing contribution requirement is expressed in both floorspace ratio and cash in lieu terms.

The inclusionary requirement in this case amounts to some \$20 million versus an anticipated uplift of \$19 million. Even though the affordable housing requirement is not premised on value capture grounds, it should not be set at such a high level that it effectively removes the financial incentive to pursue rezoning and development.

Experience in the ACT provides a guide as to the premium which should be left land holders for them to retain the incentive to release their properties for development. The Territory's Lease Variation Charge is geared to allow proponents to retain 25% of the value uplift associated with development approvals.

Assuming that a nominal 25% premium is left for land owners in the Saleyards precinct, that is, they retain \$4.75 million of the uplift generated by rezoning, the inclusionary requirement for affordable housing would need to be scaled back to **0.036 sqm** for each sqm of marketed floorspace of all land use types. The adjusted cash in lieu rate becomes **\$264 per sqm** of marketed floorspace.

Other infill KSPAs

Table 7 provides the contribution rate for all other infill KSPAs. As noted, in these areas planned floorspace provision is not available. Accordingly, the inclusionary requirement calculation defaults to using City wide projections of future floorspace development. Customised contribution rates can be established for individual infill areas, if and when information on planned development comes to hand.

TABLE 3: ESTIMATION OF SOCIAL HOUSING REQUIREMENT PER UNIT OF DEVELOPMENT – CREAMERY ROAD

Assumption/parameter	Source	Value
Net developable area (hectares)	Northern and Western Geelong Growth Areas Framework Plan (page 243)	236
Total residents	Northern and Western Geelong Growth Areas Framework Plan (page 243)	8,433
Total dwellings	Northern and Western Geelong Growth Areas Framework Plan (page 243)	3,012
Required social housing units	14% of total	422
Market dwellings	<i>Calculation utilising above information</i>	2,590
Average floor area per market dwelling (sqm)	SGS assumption	230
Average floor area per social housing (sqm)	SGS assumption	230
Total social housing floorspace	<i>Calculation utilising above information</i>	96,986
Total -residential floor area (sqm) - market dwellings	<i>Calculation utilising above information</i>	595,774
Total residential floorspace - all dwellings	<i>Calculation utilising above information</i>	692,760
Retail/commercial floorspace as % of total floorspace	SGS assumption	15%
Total marketed, non-residential floor area (retail, commercial) (sqm)	<i>Calculation utilising above information</i>	122,252
Total marketed floor area	<i>Calculation utilising above information</i>	718,025
Social housing floorspace to be funded by inclusionary requirement	<i>1/3 of total social housing requirement</i>	32,329
Social housing floorspace to be funded by inclusionary requirement per sq m of all marketed floorspace	<i>Calculation utilising above information</i>	0.045
Value - aggregate social housing contribution	<i>Calculation utilising above information</i>	\$84,336,000
Social housing contribution per Net Developable Hectare	<i>Calculation utilising above information</i>	\$357,356

Source: SGS Economics and Planning (2021)

TABLE 4: ESTIMATION OF SOCIAL HOUSING REQUIREMENT PER UNIT OF DEVELOPMENT – ELCHO ROAD EAST

Assumption/parameter	Source	Value
Net developable area (hectares)	Northern and Western Geelong Growth Areas Framework Plan (page 227)	389
Total residents	Northern and Western Geelong Growth Areas Framework Plan (page 227)	11,652
Total dwellings	Northern and Western Geelong Growth Areas Framework Plan (page 227)	4,162
Required social housing units	14% of total	583
Market dwellings	<i>Calculation utilising above information</i>	3,579
Average floor area per market dwelling (sqm)	SGS assumption	230
Average floor area per social housing (sqm)	SGS assumption	230
Total social housing floorspace	<i>Calculation utilising above information</i>	134,016
Total -residential floor area (sqm) - market dwellings	<i>Calculation utilising above information</i>	823,244
Total residential floorspace - all dwellings	<i>Calculation utilising above information</i>	957,260
Retail/commercial floorspace as % of total floorspace	SGS assumption	15%
Total marketed, non-residential floor area (retail, commercial) (sqm)	<i>Calculation utilising above information</i>	168,928
Total marketed floor area	<i>Calculation utilising above information</i>	992,172
Social housing floorspace to be funded by inclusionary requirement	<i>1/3 of total social housing requirement</i>	44,672
Social housing floorspace to be funded by inclusionary requirement per sq m of all marketed floorspace	<i>Calculation utilising above information</i>	0.045
Value - aggregate social housing contribution	<i>Calculation utilising above information</i>	\$116,536,000
Social housing contribution per Net Developable Hectare	<i>Calculation utilising above information</i>	\$299,578

Source: SGS Economics and Planning (2021)

TABLE 5: ESTIMATION OF SOCIAL HOUSING REQUIREMENT PER UNIT OF DEVELOPMENT – MARSHALL

Assumption	Source	Value
Net developable area (hectares)	Marshall Precinct Structure Plan (July 2018)(Page 20)	80
Total residents	Marshall Precinct Structure Plan (July 2018)(Page 21)	4,300
Total dwellings	Marshall Precinct Structure Plan (July 2018)(Page 19)	1,978
Required social housing units	14% of total	277
Market dwellings	<i>Calculation utilising above information</i>	1,701
Average floor area per market dwelling (sqm)	SGS assumption	230
Average floor area per social housing (sqm)	SGS assumption	230
Total social housing floorspace	<i>Calculation utilising above information</i>	63,692
Total -residential floor area (sqm) - market dwellings	<i>Calculation utilising above information</i>	391,248
Total residential floorspace - all dwellings	<i>Calculation utilising above information</i>	454,940
Retail/commercial floorspace as % of total floorspace	SGS assumption	15%
Total marketed, non-residential floor area (retail, commercial) (sqm)	<i>Calculation utilising above information</i>	80,284
Total marketed floor area	<i>Calculation utilising above information</i>	471,532
Social housing floorspace to be funded by inclusionary requirement	<i>1/3 of total social housing requirement</i>	21,231
Social housing floorspace to be funded by inclusionary requirement per sq m of all marketed floorspace	<i>Calculation utilising above information</i>	0.045
Value - aggregate social housing contribution	<i>Calculation utilising above information</i>	\$55,384,000
Social housing contribution per Net Developable Hectare	<i>Calculation utilising above information</i>	\$695,604

Source: SGS Economics and Planning (2021)

TABLE 6: ESTIMATION OF SOCIAL HOUSING REQUIREMENT PER UNIT OF DEVELOPMENT – SALEYARDS – UNADJUSTED*

Assumption	Source	Value
Total residents	CoGG Structure Plan bulletins	1,300
Total dwellings	SGS calculated at occ rate of 2.2	660
Required social housing units	14% of total	92
Market dwellings	<i>Calculation utilising above information</i>	568
Average floor area per market dwelling (sqm)	SGS assumption	90
Average floor area per social housing (sqm)	SGS assumption	90
Total social housing floorspace	<i>Calculation utilising above information</i>	8,316
Total floor area (sqm) - market dwellings	<i>Calculation utilising above information</i>	51,084
Total residential floorspace - all dwellings	<i>Calculation utilising above information</i>	59,400
Non-residential - commercial, retail etc - floor area (sqm)	CoGG Structure Plan bulletins	1,800
Social housing floorspace to be funded via inclusionary requirements (sqm)	<i>Calculation utilising above information</i>	2,772
Total marketed floor area	<i>Calculation utilising above information</i>	52,884
Social housing floorspace to be funded by inclusionary requirement per sq m of all marketed floorspace (sqm)	<i>Calculation utilising above information</i>	0.052
Market acquisition for social housing dwelling per unit	SGS assumption	\$660,000
Market acquisition for social housing dwelling per sqm	SGS assumption	\$7,333
Social housing cash in lieu contribution per sqm of marketed floorspace	SGS assumption	\$384

Source: SGS Economics and Planning (2021)

*** Note that the recommended contribution rate for Saleyards is adjusted down to 3.6% to retain a value uplift premium for property owners – see text in the report.**

TABLE 7: ESTIMATION OF SOCIAL HOUSING REQUIREMENT PER UNIT OF DEVELOPMENT – OTHER INFILL KSPAS

Assumption / parameter	Value
Total dwellings expected to be added to Greater Geelong 2021-2050	84,438
Percentage of total Greater Geelong housing stock required as social housing infrastructure	0.14
Required social housing stock in Greater Geelong at horizon year 2050	11,821
Proportion of social housing infrastructure task attributable to planning/development	0.33
Social housing provision required from planning/development by horizon year	3,940
Assumed procurement cost of social housing units (i.e. market price)	660,000
Average floor area of social housing units (sqm)	90
Average floor area of market housing (sqm)	190
Total floor area of market housing added to Greater Geelong 2021 - 2050 (sqm)	13,797,169
Total floor area of additional employment floorspace added to Greater Geelong 2021 - 2050 (sqm)	2,269,449
Total additional market housing and employment floorspace added to Greater Geelong 2021 - 2050 (sqm)	16,066,618
Total social housing floorspace required from planning / development in Greater Geelong	354,640
Social housing floorspace required for every 1 sqm of market housing and employment floorspace	0.022
Cash in lieu contribution per sqm of market housing and employment floorspace	\$162

Source: SGS Economics and Planning (2021)

Based on this analysis, the relevant strategic planning documents for each of the KSPAs should provide the justification for introducing an affordable housing requirement applicable to all development in the respective precincts. This requirement would see proponents entering into agreements as a condition of development approval to:

- Include social housing units in the project at the rate of 0.045 sqm (or 4.5%) (greenfield KSPAs) or 0.036 sqm (or 3.6%) (Saleyards) or 0.022 sqm (or 2.2%) (other infill KSPAs) for each square metre of commercially saleable or leasable floorspace (GFA) in the building(s) in question, with these social housing units being delivered at zero consideration to a registered community housing provider, or

- Provide a cash-in-lieu payment into the Geelong Affordable Housing Trust at the rate of \$117 (greenfield KSPAs) or \$264 (Saleyards) or \$162 (other infill KSPAs) (indexed annually to movements in unit dwelling prices in Geelong) for each square metre of saleable or leasable floorspace, or
- Provide a cash-in-lieu payment into the Geelong Affordable Housing Trust at the rate of \$299,578 per net developable hectare for subdivision projects at Elcho Road East, \$357,356 per net developable hectare for subdivision projects at Creamery Road, and \$695,604 per net developable hectare for subdivision projects at Marshall, or
- A combination of the above to reflect the value of partial dwellings indicated by the formula.

3.3 Social housing contributions as a share of expected land value uplift in greenfield KSPAs

Uplift in land values is expected in each KSPA because of rezoning and infrastructure investment. Average before and after (rezoning) land values for each of Geelong’s greenfield KSPAs are shown in Table 8.⁴ These estimates have been generated by m3 Property utilising the direct comparison method which considers sales of broadly similar properties transacted in the open market and excluding sales which have obviously been affected by buyer expectations of future rezoning. Sales data used in undertaking this analysis is summarised in Appendix A.

A total \$698 million in additional value is expected to be created from changes in land use planning controls across these three KSPAs.

TABLE 8: AVERAGE LAND VALUE RATE BEFORE AND AFTER REZONING – ALL GREENFIELD KSPAS

KSPA	AVERAGE LAND VALUE BEFORE REZONING (PER HECTARE)	AVERAGE LAND VALUE BEFORE REZONING (PER HECTARE)
Creamery Road	\$50,000	\$750,000
Elcho Road East	\$50,000	\$800,000
Marshall	\$200,000	\$925,000

Source: m3 Property (2021), Land value estimates for Geelong Greenfield KSPAs and Saleyards precinct

Council’s policy position notes that “*future housing development will include a meaningful contribution to meeting the identified needs for social and affordable housing where there is a demonstrated uplift in land value*”. Information summarised in Table 8 has been used to estimate the value of affordable

⁴ Factors accounted for in the valuation assessment include (but are not limited to): prevailing market conditions with specific consideration to potential lot pricing, sale rates and development costs; and area and potential densities/lot yield; zoning status under the Local Authority Planning Scheme; development approvals; likely scheme cost contributions where applicable; access and proximity to local transport corridors including freeways and rail facilities; immediate competition and profile of developers active within the general localities; servicing constraints; environmental constraints and location. Sales have been analysed on a rate per hectare of land area.

housing contributions versus the anticipated uplift in land value. The results are shown in Table 9. The affordable housing inclusionary requirements translate to 34 per cent of land value uplift in Creamery Road, 32 per cent in Elcho Road East and 62 per cent in Marshall.

TABLE 9: VALUE OF AFFORDABLE HOUSING INCLUSIONARY REQUIREMENT VERSUS LAND VALUE UPLIFT

ASSUMPTION	CREAMERY ROAD	ELCHO ROAD EAST	MARSHALL
Total value after rezoning	\$262,500,000	\$388,000,000	\$113,775,000
Total value before rezoning	\$17,500,000	\$24,250,000	\$24,600,000
Calculated land value uplift	\$245,000,000	\$363,750,000	\$89,175,000
Social housing floorspace required for every 1 sqm of market housing and employment floorspace	0.045	0.045	0.045
Social housing cash in lieu contribution per sq m of market floorspace	\$117.46	\$117.46	\$117.46
Calculated value of social housing contribution	\$84,336,000	\$116,536,000	\$55,384,000
Social housing contribution as % of value uplift	34%	32%	62%

Source: SGS Economics and Planning (2021)

Table 10 illustrates the impact on value uplift of the affordable housing inclusion requirements operating in conjunction with the State's proposed Windfall Gains Tax (WGT), which is due to take effect in July 2023. Assuming the WGT applies in each of the three greenfield KSPAs, the owners of the rezoned land in question would still enjoy major financial gains compared to the pre-rezoning value of their properties.

TABLE 10: RESIDUAL UPLIFT AFTER AFFORDABLE HOUSING REQUIREMENTS AND WINDFALL GAINS TAX

	Creamery	Elcho	Marshall
Land value prior to rezoning	\$17,500,000	\$24,250,000	\$24,600,000
Uplift captured privately without either WGT or affordable housing requirements	\$245,000,000	\$363,750,000	\$89,175,000
Uplift captured privately with affordable housing requirements but without WGT	\$160,664,000	\$247,214,000	\$33,791,000
Uplift captured privately with both affordable housing requirements and WGT	\$80,332,000	\$123,607,000	\$16,895,500
Uplift captured privately with affordable housing requirements and WGT as percentage of pre-zoning value	459%	510%	69%

Source: SGS Economics and Planning (2021)

It is evident that the affordable housing requirement translates to varying proportions of value uplift, regardless of whether the WGT applies. However, as discussed in Section 2.3, it must be borne in mind that making contributions towards the provision of essential social housing infrastructure as an inclusionary requirement is not a value capture mechanism per se. There is no in-principle reason why the contribution expected of successive developers should be tied to a pre-set value capture rate. Rather the cost of providing the required infrastructure dictates this share.

If social housing is regarded as essential infrastructure, it should be provided notwithstanding the impact on residual land value, providing residual land value continues to carry the minimum premium – nominally 25% - required to induce owners to release their properties to bona fide developers. This logic applies, for example, to open space contributions. They must be provided regardless of comparative impact on residual land value.

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4. Planning tools for implementation

This section presents statutory planning tools for implementation of social housing contributions in Geelong's KSPAs.

4.1 Legislative framework

Both the Planning and Environment Act 1987 [Vic.] (the Act) and the Victoria Planning Provisions (VPPs) support the delivery of affordable housing.

Planning and Environment Act 1987

The Act was amended in 2018 to include specific sections relating to housing affordability. These sections contain:

- A new objective under section 16, “to facilitate the provision of affordable housing in Victoria”.
- Changes that clarify that Responsible Authorities can enter into an agreement with landowners and others under section 173 of the Act, for the provision of affordable housing as part of a development.
- A definition of affordable housing at section 3AA of the Act.

Based on current legislation and as set out in the Planning Practice Note 3AA (2), the Department of Environment, Land, Water and Planning (DELWP) currently seeks the use of a Section 173 Agreement as the preferred method of securing affordable housing.

The Victoria Planning Provisions (VPPs)

Clause 16.01-4S of the Planning Policy Framework (PPF) sets out the state policy for Housing Affordability. The objective is:

To deliver more affordable housing closer to jobs, transport and services.

The strategies are:

Improve housing affordability by:

- *Ensuring land supply continues to be sufficient to meet demand.*
- *Increasing choice in housing type, tenure and cost to meet the needs of households as they move through life cycle changes and to support diverse communities.*
- *Promoting good housing and urban design to minimise negative environmental impacts and keep costs down for residents and the wider community.*
- *Encouraging a significant proportion of new development to be affordable for households on very low to moderate incomes.*

- *Increase the supply of well-located affordable housing by:*
- *Facilitating a mix of private, affordable and social housing in suburbs, activity centres and urban renewal precincts.*
- *Ensuring the redevelopment and renewal of public housing stock better meets community needs.*
- *Facilitate the delivery of social housing by identifying surplus government land suitable for housing.*

Local Planning Policies

The Greater Geelong Planning Scheme incorporates Local Planning Policy statements in support of the delivery of social housing; specifically, Clause 21.06-4 which includes the following relevant objectives and strategies:

The objectives are:

- *Ensure housing diversity is achieved in established and growth area communities.*
- *Increase the level of affordable and social housing in Greater Geelong.*

The strategies are:

- *Continue to implement and build upon the Housing Diversity Strategy to increase housing diversity in established areas.*
- *Work with interested parties to deliver high quality clever and creative housing solutions, including social housing, to provide greater housing choice.*
- *Support social housing in areas with good access to services and facilities*

Under the ongoing translation of the scheme into the new integrated PPF format, this content will presumably be incorporated into a local PPF clause at cl 16.01-2L.

4.2 Precedents for statutory implementation

In terms of how social and affordable housing contributions might be implemented statutorily, the experience of Fishermans Bend provides a useful precedent.

The Fishermans Bend Framework includes specific provisions to ensure that adequate social and affordable housing infrastructure is provided in the Precinct. These include the following strategies:

3.5.2 Encourage six per cent affordable housing for all new development delivered within the maximum allowed Dwelling Density Ratios

3.5.3 Introduce planning incentives for the delivery of social housing via a Social Housing Uplift. Social housing will be required to be transferred at no cost to registered housing providers to secure this housing in perpetuity

3.5.5 Explore the option to collect 'cash-in-lieu' contributions instead of the provision of affordable housing on-site. Explore the establishment of a 'Fishermans Bend Affordable Housing Trust' (or similar) which may be required if these contributions are introduced in the future (p 53)

These strategies were subsequently implemented via Planning Scheme amendments. Of note here are the clauses relating to the 6% affordable housing target for the precinct, set out in the Port Phillip and Melbourne Planning Schemes. The relevant excerpt from the Port Phillip Scheme is set out below.

22.15-4.3 Providing for Affordable housing

It is policy to assess proposals against the following criteria:

Development should provide at least six per cent of dwellings permitted under the dwelling density requirements in the Capital City Zone (excluding any Social housing uplift dwellings) as Affordable housing, unless, any of the following apply:

- The built form envelope available on the site makes it impractical to do so.*
- It can be demonstrated that the development will contribute to the Affordable housing objectives of this policy while providing less than the minimum amount.*
- It can be demonstrated that meeting the Affordable housing objectives of this policy would render the proposed development economically unviable.*

The 6% affordable housing target in the Planning Scheme has proven problematic in practice. This is because it does not make sufficiently clear what is expected of a proponent.

By themselves, these provisions do not provide guidance as to what would be acceptable in terms of the monetary value of the affordable housing package that might be offered by a development proponent in response to the 6% requirement nominated in the Scheme.

Proponents may take a multiplicity of approaches in response to the target. These can range from subsidised home ownership to time bounded affordable rental, to transfer of dwellings to community housing providers (CHPs) at a discounted price, to transfer of some dwellings at zero consideration etc. This presents an ‘apples and oranges’ conundrum for approval authorities.

These matters were recently tested in relation to specific site approvals ‘called in’ by the Minister and appraised via the Fishermans Bend Standing Advisory Committee. Approval of these projects required Planning Scheme amendments which, amongst other things, provided for an Incorporated Document which overcomes the above conundrum and clearly stipulates how the 6% target is to be achieved. The sites and Planning Scheme amendments in question are as follows:

- Amendment C177port – 272-280 Normanby Road, South Melbourne
- Amendment C166port – 256-262 Normanby Road, South Melbourne
- Amendment C172port - 118 Bertie Street, Port Melbourne
- Amendment C163port – 203-205 Normanby Road, Southbank

Under the relevant affordable housing provisions of the Incorporated Documents introduced by these amendments a proponent may be deemed to have met the 6% target, if they deliver a solution which has an equivalent monetary value to transferring 6% of dwellings at a 35% discount to market price.

Transferring 6% of dwellings at a 35% discount is the same as transferring 2.1% of dwellings at zero consideration ($6\% \times 35\% = 2.1\%$).

The Fishermans Bend framework and statutory provisions for affordable housing only apply to residential development. Therefore, developers in that precinct must provide the equivalent of 0.021 sqm of social and affordable housing at zero consideration for every square metre of marketed residential floorspace.

Depending on the quantum of non-residential floorspace included in the Fishermans Bend projects in question, this de facto mandatory affordable housing contribution is of the same order as those indicated for Geelong's KSPAs.

4.3 Statutory planning implementation pathways

Broad statements of support in the Planning Scheme

The first option is to strengthen existing policy with a statement of in-principle support for provision for affordable housing (as opposed to general market-based housing affordability responses) via a Local Planning Policy (LPP) in the Planning Policy Framework (PPF).

It is noted that the Geelong Planning Scheme is yet to be translated to the new PPF format following the gazettal of Amendment VC148. The ultimate "location" of any future policy in the new PPF structure will be a local clause underneath cl 16.01-2S (i.e. a future 16.01-2L).

An example of the kind of statement anticipated is at Clause 16.01-2L of the Moreland Planning Scheme, which has as a strategy:

"Encourage developments to include a proportion of affordable rental housing to be owned and managed by a registered Housing Association, Housing Provider or similar not for profit organisation."

Such statements have value in clearly asserting the need to consider affordable housing issues in planning assessments and can plant a flag for further strategic work. There is precedent in other policy areas (notably Environmentally Sustainable Design) for quite sweeping statements of policy to gradually be given more weight over time as the prevailing thinking shifts within the industry. It is important to note that when introducing a Local Planning Policy, it cannot replicate statements in the Victoria Planning Provisions (VPP), including the State portions of the Planning Policy Framework. There must also be a clear statement to indicate when it is triggered.

The limitation of such statements, however, is that they will be of very limited value in supporting affordable housing contributions in contested situations as they are not mandatory provisions. The discretionary nature means that such statements will have significantly less weight. Their reliance, common in Victorian planning, on permissive rather than restrictive verbs (i.e., "encourage" not "require") means that they cannot be relied upon to compel unwilling developers to provide affordable housing. This weakness is compounded by the lack of clear thresholds or guidance, which will raise questions of reasonableness in any given application.

A broad statement of support will provide a clear expression of Council's expectations. While they are discretionary in nature, a broad statement of support will signal the step change being sought by local and State Government (as supported in State level policy).

Potential planning mechanisms to support social housing contributions

There is currently no “off the shelf” method for implementing social and affordable housing contributions via the Victorian planning system. However, the VPPs do include several mechanisms (zones, overlays etc.) which allow Councils to tailor land use and development outcomes where they apply. Select tools could feasibly be implemented in Geelong’s greenfield and infill KSPAs to encourage delivery of social housing.

The table below outlines the tools that have been identified, for which planning pathway they may be able to be used, and commentary regarding the advantages and disadvantages of each.

TABLE 11: PLANNING SCHEME IMPLEMENTATION TOOLS

TOOL	SCOPE OF THE TOOL FOR DELIVERING AFFORDABLE HOUSING THROUGH VALUE CAPTURE	COMMENTS
ZONES		
Activity Centre Zone (ACZ)	Table of uses allows conditions to be included against uses, which could incorporate an affordable housing requirement. A permit requirement to enter into a Section 173 agreement to provide affordable housing can be included.	<ul style="list-style-type: none"> A structure plan is required to underpin the ACZ. Only suitable for defined activity centres. Pakington Street (West Geelong) is an identified ‘Specialized Centre’ under Clause 21.21-5.
Special Use Zone (SUZ)	Table of uses allows conditions to be included against uses, which could incorporate an affordable housing requirement. A permit requirement to enter into a Section 173 agreement to provide affordable housing can be included.	<ul style="list-style-type: none"> This tool is only meant to be applied in exceptional circumstances where the standard zones will not deliver the desired outcome. West Melbourne Amendment C309/C385 has applied this approach⁵. The decision is still with the Planning Minister.
Comprehensive Development Zone (CDZ)	Table of uses allows conditions to be included against uses, which could incorporate an affordable housing requirement. A permit requirement to enter into a Section 173 agreement to provide affordable housing can be included.	<ul style="list-style-type: none"> This tool is only applied where a Comprehensive Development Plan has been prepared and applies to a specific precinct/area covered by the CDZ.
OVERLAYS		
Development Plan Overlay (DPO)	Can include a permit requirement that a S173 be entered.	<ul style="list-style-type: none"> A development plan is not incorporated into the Planning Scheme as a fixed item. It can be introduced or changed ‘to the satisfaction of the responsible authority’.

⁵ For further information see: <https://participate.melbourne.vic.gov.au/amendmentc309/amendment-overview>

	Can include guidance and requirements about how affordable housing will be delivered.	<p>A Planning Scheme amendment is not needed.</p> <ul style="list-style-type: none"> Once implemented, the DPO exempts subsequent permits from public review/notification process under all parts of the scheme. Therefore, it should normally be applied to development proposals that are not likely to significantly affect third-party interests, self-contained sites where ownership is limited to one or two parties and sites that contain no existing residential population and do not adjoin established residential areas. Some DPOs have a percentage affordable housing provision already.
Incorporated Plan Overlay (IPO)	<p>Can include a permit requirement that a S173 be entered.</p> <p>Can include guidance and requirements about how affordable housing will be delivered.</p>	<ul style="list-style-type: none"> The plan will be an incorporated document, part of the Planning Scheme. A Planning Scheme amendment will be needed to introduce or change the plan. The IPO should normally be used for sites that are likely to affect third-party interests and sites comprising multiple lots in different ownership
Specific Controls Overlay (SCO)	<p>The overlay schedule is accompanied by an Incorporated Document.</p> <p>The Incorporated Document could include the requirements for affordable housing contributions.</p> <p>Enables specific controls to override other requirements of the Planning Scheme.</p>	<ul style="list-style-type: none"> This approach has not been tested. The SCO is only meant to be applied in 'extraordinary' circumstances. Has typically been used to permit uses that are otherwise prohibited by the zone.
OTHER		
Conditions on PSPs	<p>The Urban Growth Zone allows development to be conditional upon requirements in a PSP; so theoretically at least a requirement in a PSP could attach a condition requiring contributions.</p>	<ul style="list-style-type: none"> PSPs are implemented alongside the traditional infrastructure / development contributions framework (discussed below) with PSPs often applied alongside a development / infrastructure contributions control.

Source: Red Ink Planning, 2019; RCI Planning, 2021

Implementation options in Geelong's greenfield areas

As a minimum, a policy framing statement should be inserted into the Municipal Strategic Statement (MSS)/Municipal Planning Strategy (MPS) and a strategy in the Planning Policy Framework (PPF) under Clause 16.01-4L Housing Affordability which specifies Council's consistent approach to value capture across all Greenfields (and identified brownfields) sites.

As noted earlier, the location of any future policy in the new PPF structure will be a local clause underneath cl 16.01-2S (i.e., a future 16.01-2L).

For greenfield areas, the most appropriate approach for implementing social and affordable housing contributions is via the insertion of conditions within the relevant PSP documents, drafted as follows:

'Like transport networks, water cycle management, open space systems, hospitals and clinics, schools and other community facilities, social housing is essential infrastructure necessary to support the sustainability, health and economic productivity of [insert precinct name], and broader Greater Geelong communities.

Social housing is also required to achieve objectives set out in the City of Greater Geelong's Social Housing Plan

It is Council policy, that all proponents who will reshape the [insert precinct name] precinct over the next 30 years:

- *Include social housing units in the project at the rate of x.xxx sqm for each square metre of commercially saleable or leasable floorspace (GFA) in the building(s) in question, with these social housing units being delivered at zero consideration to registered community housing provider, or*
- *Provide a cash-in-lieu payment into the Geelong Affordable Housing Trust at the rate of \$xxx.xx (indexed annually to movements in unit dwelling prices in Geelong) for each square metre of saleable or leasable floorspace, or \$xxxxx per developable hectare, or*
- *A combination of these two to reflect the value of partial dwellings indicated by the formula*
The affordable housing delivered in the [insert precinct name] should be provided in the precinct in perpetuity with the assets transferred to a Registered Housing Agency or provider and secured by a Section 173 Agreement'.

Implementation options in Geelong's Infill areas

For infill KSPAs which are identified activity centres (in this instance the Pakington Street Activity Centre), the Activity Centre Zone is the preferred mechanism.

For infill areas which are not identified activity centres, the following tools may be contemplated:

- The **Comprehensive Development Zone (CDZ)** to include a requirement for a Section 173 agreement and articulate the preferred method of delivering affordable housing on the site.
- The **Incorporated Plan Overlay (IPO)** to include a requirement for a Section 173 agreement and articulate the preferred method of delivering affordable housing on the site.
- The **Development Plan Overlay (DPO)** to include a requirement for a Section 173 agreement and articulate the preferred method of delivering affordable housing on the site.

The following points should be taken into consideration in selecting the most appropriate tool to implement social housing contributions in each of the remaining infill KSPAs:

- The method of implementation of the inclusionary requirement should be considered in conjunction with Council's preferred approach to other land use and development controls for the site.

- The Comprehensive Development Zone appears an appropriate avenue. However, there is limited guidance currently provided about the zone and its use. The Practitioner’s Guide to Victorian Planning Schemes includes the following guidance about the use of the CDZ:

“...provides for larger or more complex developments in accordance with a comprehensive development plan incorporated in the Planning Scheme.”⁶

No more detail is offered and there is no specific practice note guiding the application of the zone. However, the CDZ avoids issues that may apply with regards to the DPO and the IPO, notably by allowing tailoring of the notice exemptions. Given it appears that these precincts would generally also seem to have the characteristics above, the case for applying the CDZ is strong. However, there may be State Government hesitancy to using a customized zone to achieve a development outcome.

- A DPO or IPO provide potential alternate avenues if the CDZ is not appropriate or accepted in a particular case. The IPO and DPO are both flexible tools that can be used to implement a plan to guide the future use and development of the land, such as an outline development plan, detailed development plan or master plan. These are the preferred tools for supporting plans, allowing for provisions to be specified regarding both use and development – as stated in PPN23.
- The IPO requirement for a Planning Scheme amendment to incorporate or change the plan enables third parties to be involved in the process of making or changing the plan. For this reason, the IPO should normally be used for sites that are likely to affect third-party interests and sites comprising multiple lots in different ownership. Importantly, though, this does mean that the plan will be difficult to change once incorporated.
- Because the DPO exempts applications from the third-party notification and appeal (public notification) process for the plan under all Clauses of the scheme, it should normally be applied to development proposals that are not likely to significantly affect third-party interests, self-contained sites where ownership is limited to one or two parties and sites that contain no existing residential population and do not adjoin established residential areas. Any issues affecting third-party appeals should have been resolved as part of the amendment process to apply the DPO.
- Use of the DPO would require the council to be satisfied with the extinguishment of all third party rights, which in past precedent has proven controversial. For example, an application for an unexpected use or development in the precinct might have no notice rights attached to it. (Note that the DPO notice exemption is much broader than that under the CDZ as it overrides all notice provisions in the scheme and applies regardless of compliance with the development plan). This judgement should be made with regards to the overall life of the control. For example, a notice exemption may be unproblematic early in the life of a development, but inappropriate once a substantial population has moved into a precinct.

Based on the experience of other Councils, the following illustrates suitable wording for the relevant Planning Scheme provisions in Greater Geelong.

⁶ Department of Environment, Land, Water and Planning (2020), A practitioners guide to Victorian Planning Schemes, Version 1.4.

Proposed Requirement

A permit to subdivide land and/or construct buildings that increases the floor area of buildings on the land must include the following condition:

Prior to the issue of a Statement of Compliance for any subdivision of land or occupation of any of the buildings approved by this permit, the owner of the land must enter into an agreement with the Greater Geelong City Council (Council) under section 173 of the Planning and Environment Act 1987 for the provision of affordable housing in accordance with clause [Insert clause #] of the [Insert Control] to the satisfaction of the Council. The agreement must be prepared and registered at no cost to council.

The Agreement must reflect the following requirements:

- a) *The landowner must provide an Affordable Housing Contribution to the satisfaction of the Council.*
- b) *For the purposes of the agreement "Affordable Housing" includes:*
 - *dwellings owned by a Housing Agency which is registered as either a housing association or housing provider under the Housing Act 1983, and*
 - *dwellings which may be made available to tenants in accordance with the eligibility definition contained within the Planning and Environment Act 1987.*
- c) *For the purposes of the agreement "Affordable Housing Contribution" includes:*
 - *Affordable Housing; and*
 - *Monetary contribution in accordance with these requirements.*
- d) *The agreement must specify when and in what form the Affordable Housing Contribution is to be made.*
- e) *The agreement must specify that the Affordable Housing is to be transferred from the landowner to a registered Housing Agency at zero consideration.*
- f) *The agreement must provide for the Affordable Housing Contribution to be made by the landowner as follows:*
 - a. *the transfer of dwellings to a registered community housing provider at the rate of [insert the KSPA specific figure] (GFA) of affordable housing floorspace for each square metre of commercially saleable or leasable floorspace (GFA) in the building(s) in question, with these social housing units being delivered at zero consideration, or*
 - b. *the transfer of cash into the City of Greater Geelong Affordable Housing Trust at the rate of \$ [insert the KSPA specific figure] per net developable hectare, or*
 - c. *the transfer of a different quantum of social housing floorspace to (a) but with the same independently assessed market value as (a), or*
 - d. *provision of a cash payment of equal value to that of (a) into the City of Greater Geelong Affordable Housing Trust, or*
 - e. *any combination of transferred dwellings and cash payments into the City of Greater Geelong Affordable Housing Trust provided the value of this is no less than that of (a).*

5. Summary and conclusions

As a form of spatially fixed, materially realised capital expenditure that supports a range of social objectives in areas like public health and economic development, social and affordable housing – like transport networks, water cycle management, open space systems, hospitals and clinics, schools and other community facilities – is a form of essential social infrastructure.

The provision of adequate social and affordable housing infrastructure fulfills three functions in sustainable development – poverty alleviation, better labour markets and local economies and better place making. Responsibility for these outcomes is distributed equally across the Commonwealth Government, State Government and the local development sector, respectively.

The local development sector can reasonably be expected to carry one third of the task of ensuring adequate social and affordable housing infrastructure. That is, successive developments should incorporate, or pay for, one third of the social and affordable housing units required over the planning period.

In the long run, Greater Geelong will require the same level/quantum of social housing infrastructure as the wider Victorian community. SGS has assessed that 14% of all housing is a reasonable measure of the requirement for social and affordable housing across all communities in Victoria and Greater Geelong to 2050.

On this basis, need for social housing in each KSPA has been assessed at 14 per cent of total future dwellings with one third of these to be delivered via the planning and development approval process.

In greenfield areas and those brownfield areas which have documented development projections, social housing contributions have been calculated by apportioning future social housing floorspace across all expected marketed residential and non-residential floorspace. In infill areas where the quantum of future marketed floorspace is unknown, contributions have been determined based on a municipality wide estimate of marketed floorspace.

When this task is spread over all anticipated development in greenfield KSPAs (commercial, retail, institutional and residential), all development would be required to include, or pay for, social and affordable housing at the rate of 4.5 per cent of all marketed floorspace, assuming that each KSPA has the same representation of non-residential floorspace.

In infill KSPAs, excluding Saleyards, all development would be required to include, or pay for, social and affordable housing at the rate of 2.2 per cent of all marketed floorspace.

In Saleyards, the 'raw' calculated contribution rate amounts to 5.2%. However, at this rate more than 100% of the uplift in value from rezoning would be absorbed. The contribution rate has therefore been scaled back to 3.6% to allow for a 25% of the value uplift from rezoning to remain with land owners.

Council's adopted policy specifies that "future housing development will include a meaningful contribution to meeting the identified needs for social and affordable housing where there is a demonstrated uplift in land value".

As such, Council seeks to implement inclusionary requirements for social housing in identified KSPAs where uplift in land values will occur due to strategic planning and infrastructure investment processes intended to support forecast growth.

The preferred mechanisms for incorporating social housing contributions provisions into the Planning Scheme include:

- Broad statements of support in the Scheme underneath cl 16.01-2S (cl 16.01-2L in the new format PPF).
- For greenfield areas, the insertion of conditions within the relevant PSP documents.
- For infill areas that are identified Activity Centres, application of affordable housing provisions in the schedule to the Activity Centre Zone.
- For remaining infill areas, application of the Comprehensive Development Zone as it *“provides for larger or more complex developments in accordance with a comprehensive development plan incorporated in the Planning Scheme”* and avoids the sweeping extinguishment of third-party rights used with the DPO and IPO.

A DPO or IPO provide potential alternate avenues if the CDZ is not appropriate or accepted in a particular case. Use of the DPO would require the council to be satisfied with the extinguishment of all third party rights, which in past precedent has proven controversial.

Appendix A: Sales data

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