

ATTACHMENT 1

A: Principles adopted by the IMAP Implementation Committee on March 2008.

1. That the proposed Overlay is premised on **this mechanism being recognised as an environmental standard**, not as a redistributive intervention, with the environmental value sought being an adequate social mix to maintain social cohesion, cultural vibrancy and an efficient labor market (where lower income wage earners can be sourced locally).
2. That **this environmental value needs to be permanently embedded in successive developments** or the surrounding region in the same way as car parking requirements, heritage controls, solar access and stormwater retention requirements through the planning permit system.
3. That **new residential development is changing the conditions of the inner region** and currently focuses on the high end market. Without intervention, the proportion of affordable housing stock in the region will continue to diminish, given the level of projected housing growth. Therefore, **the development sector, in part, has responsibility to contribute to maintaining housing affordability**.
4. That to be equitable and address housing need the Overlay must be one of a number of policy settings or program interventions that target various segments of the broader housing affordability problem and that **shares the responsibility for social mix between the development community, the State and Commonwealth Government, each of which has vital part to play in addressing the broadening housing affordability problem**. Related programs in this context include home ownership grants, social housing capital expenditure, the proposed National Rental Affordability Scheme (Commonwealth) and the proposed Shared Equity Scheme (Victoria), all of which will complement the proposed Overlay. In addition, local government should investigate suitable incentives to developers to encourage affordable housing.
5. That the Overlay be **broad based** by targeting all residential developments (greater than one dwelling) and all private, commercial development (retail, office, industrial) but exclude demolition activity not linked with development across the region.
6. That the proposed Overlay be **transparent and predictable** with little scope for planning discretion so as to provide developers and local government with certainty while also being flexible in the form of contributions (largely cash-in-lieu or equivalent units set aside in development).
7. That contributions be set at a rate that seeks **to maintain or increase existing proportions of social housing** both within and above public housing income limits, **without materially inhibiting private investment or reducing housing affordability**.
8. That the Overlay **targets lower income, renter households** who have been the most affected by decreasing housing affordability.
9. That the **delivery mechanism** for contributions be **registered housing associations** under the Housing Act that have purposes to house lower income renters in perpetuity that have incomes well above public housing income limits with rents of up to 75% of market rents including low income wage earners unable to participate in the local labour market.
10. That a **regional collection and allocation system** for contributions be developed that is based on regional need priorities informed by IMAP Councils, housing associations and the Office of Housing.

B: Recommendation adopted by the IMAP Implementation committee on March 2008

1. That the IMAP Implementation Committee endorse the broad Principles underpinning the proposed Affordable Housing Overlay.
2. That a strategy for briefing and consulting with the State Government be developed including the involvement of IMAP CEOs and an appropriate vehicle for further investigation and achievement of State Government support be determined such as the preparation of a State Government Business Case in partnership with IMAP Councils.
3. That in preparation for briefing and consulting with the State government, the proposal be packaged into a consolidated document that sets out remaining tasks for further investigation and undertaking in conjunction with the State government including:
 - a. The development of a Local Housing Plan
 - b. The further development of a draft Affordable Housing Overlay
 - c. The development of delivery mechanisms including collection and allocation arrangements
 - d. Agreement on a target level of social housing by 2033 and the corresponding cash-in-lieu rate per square metre (and equivalent unit contribution alternative) that achieves this.

C: Executive Summary of the Biruu Australia report, *Inner Region Affordable Housing Overlay* (May 2008)

1. The housing market segment most affected by increased housing cost has been very low income renters (< 50% of Australian median income), in particular between 1996-2001. This income group faces the most serious shortages of affordable rental housing (< \$140/week). This confirms the assessment of housing stress in the SGS report 2004.
2. Biruu provides different estimates of existing and projected stock and development activity, while indicating that there is no precise method for estimating projected activity levels over 25 year periods:
 - Biruu estimates existing commercial and residential stock in 2006 as being 58.1 million m² vs SGS's 55.6 million m²) and averages this at 56.9 million m².
 - Biruu estimates churn (conversion) within existing stock as being 7.0 million m² vs SGS's estimate of 16.0 m² and averages the estimate at 11.5 m²
 - Biruu estimates projected, new housing stock until 2033 as 13.8 million m² vs SGS's estimate of 8.7 million m² and averages this as 11.3 million m²
 - Biruu estimates projected, new non-housing stock at 18.0 million m² vs SGS's estimate of 13.2 million m² and averages this at 38.4 million m².
3. Biruu estimates provide a lower number of existing social housing stock in 2006 of 7,997 units vs 8,818 units from SGS and uses the Biruu figure of 8,818 units. This is due to differing ABS census data categories and differing census years. Thus, its proportion of total housing stock in the region varies: 5.9% (Biruu) vs 5.3% (SGS). In the absence of State projections for social housing growth, this stock is not assumed to increase by 2033 (agrees with SGS on this), meaning that projected new social housing dwellings required to maintain this proportion is 9,259 units (Biruu) vs 4,699 units (SGS) with an average of 7,698 units.
4. Given the different estimates above, identifying a minor double counting error in the SGS modelling and using a different method in estimating social housing as a % of projected rental dwellings affordable to very low income households, Biruu calculates different cash-in-lieu rates/ m² than did SGS for the various social housing level scenarios:

Scenarios- SGS	SGS rates estimated	Biruu scenarios	Biruu estimated rates
<ul style="list-style-type: none"> Scenario 1- Base case with no IZ (4% social housing) Scenario 2 (5% social housing) Scenario 3¹ (maintaining current mix of 6.2% social housing) Scenario 4 (10% social housing) 	<ul style="list-style-type: none"> N/a \$8.17/ m² \$17.66/ m² \$47.68 / m² 	<ul style="list-style-type: none"> Scenario 1- Base case with no IZ (2.8% social housing) Scenario 2¹ (maintaining current mix of 5.9% social housing) Scenario 3 (social housing @ 15% of projected affordable housing or 6.4% social housing) Scenario 4 (social housing @ 20% of projected affordable housing or 8.6% social housing-) 	<ul style="list-style-type: none"> N/a \$27.61/ m² \$34.20/ m² \$55.79/ m²

¹ Biruu's scenario 2 is the equivalent of SGS's scenario 3 in terms of aiming to maintain the current mix of social housing.

5. Biruu averages the differing rates to achieve social housing proportions by 2033 at:

- Scenario 1- base case: N/a
- Scenario 2- maintaining current mix of 5.9% social housing: \$25.16/ m²
- Scenario 3- 6.6% social housing: \$31.04/ m²
- Scenario 4- 8.9% social, housing: \$51.39/ m²

6. The market impact of the four rates (\$10, \$20, \$30 and \$50/ m²) was assessed using 3 case studies:

- 5000 m² commercial office development on cleared site: no significant or detectable impact.
- Demolition of a 2000 m² building requiring a permit: a material impact with significant cost increases. Not to be recommended (noting that this was never advocated by SGS).
- Demolition of 1000 m² building and construction of 15 new 2 bed apartments: No material impact, representing less than 1% of the value of units and likely to be swamped by other, unrelated cost factors.

Biruu indicated that it was unnecessary to test other rate options and development scenarios as the impacts will have the same relative impact as there is a reasonably linear relationship between rate and impact no matter what the size of the development is as impacts are area based. Thus, the assessed impacts have a broad application to the market.

7. That housing associations are the appropriate vehicle for targeting contributions as:

- Social mix as an environmental standard can't be addressed by home ownership as this does not create permanent affordability due to windfall gain by the first purchasers who also will improve their incomes over time, thus eroding the objective of social mix as an environmental standard and, thus, the planning basis of the Overlay.
- Maintaining permanently affordable home ownership is difficult if not impossible without complex and unwieldy arrangements that would have high administrative, monitoring and enforcement costs and public relations issues (eg. disputes with owners).
- Moderate income households who cannot afford home ownership are still able to rent in the private market.
- Other programs do or should target the broader housing affordability problem.

8. Recommends the way to achieve buy-in from State Government is to establish a Project Control Group with IMAP and State Government representation and to assess the work undertaken and reach conclusions through the undertaking of a State Government Business Case with IMAP involvement.