

FORMER LILYDALE QUARRY AFFORDABLE HOUSING DELIVERY STRATEGY

Report Author: Manager - Strategic Projects
Responsible Officer: Director Planning, Design and Development
Ward(s) affected: Melba;

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

SUMMARY

As part of the rezoning of the former Lilydale Quarry site, a five (5) percent affordable housing contribution was approved under Planning Scheme Amendment C203 to the Yarra Ranges Planning Scheme and formally introduced into the Comprehensive Development Zone Schedule 1 (CDZ1) applying to the site.

In accordance with the provisions of the CDZ1, an Affordable Housing Delivery Strategy (the Strategy) has been submitted for approval. Under the CDZ1, the Strategy must be to the '*satisfaction of the responsible authority*' and an Affordable Housing Section 173 Agreement that secures and implements the Strategy must be finalised before permits can be granted to develop the site.

The Strategy proposes a five (5) percent affordable housing contribution and commits to providing a total of 162 affordable housing dwellings (based on a total site yield of 3,050 dwellings). The affordable housing contribution is broken into two categories comprising 2.5 percent social housing (81 dwellings) and 2.5 percent (81) affordable purchase dwellings. The social housing contribution involves the gifting of land to the not-for-profit housing organisation Haven; Home, Safe (or an equivalent housing partner) for it to construct the 81 social housing units (1 and 2 bedroom apartment style housing). The remaining 2.5 percent affordable housing is proposed to be offered as affordable purchase dwellings to 'key workers' (equivalent to moderate income level households) at market value.

The Strategy has been assessed against section 3AA of the *Planning and Environment Act 1987* and Specified Matters outlined in the Ministerial Notice as well as consideration against Council's own research and housing policies. This assessment found that the Strategy only partially meets the various requirements under the Act and modifications are recommended to ensure consistency with the Act and Council's requirements. Given that those in greatest housing need are from Very low and Low income level households who are not in a position to purchase a home, it is recommended that the social housing component be

increased from 2.5 percent to at least 3.5 percent. It is also recommended that delivery of the social housing be brought forward by providing a portion within Precinct 1, which will be developed first. The affordable home purchase component can also be improved by ensuring the program is overseen by an independent housing organisation and further details are provided confirming the eligibility criteria. Other recommended changes and improvements to the Strategy are detailed in the report.

RECOMMENDATION

That

- 1. Council note the Former Lilydale Quarry Affordable Housing Delivery Strategy and submission of the document to satisfy the provisions of Schedule 1 to Clause 37.02 of the Yarra Ranges Planning Scheme.**
- 2. Council notify the applicant that it will approve an amended strategy generally in accordance with the recommendations of Attachment 1 and delegate its approval to the Chief Executive Officer.**

RELATED COUNCIL DECISIONS

Council considered Draft Planning Scheme Amendment C193yran (approved by the Minister for Planning in January 2022 as Amendment C203yran) in September 2020, (Item 7.2, 08/09/2020).

DISCUSSION

Purpose and Background

Planning controls applying to the former Lilydale Quarry

The purpose of this item is to consider the submitted *Former Lilydale Quarry Affordable Housing Delivery Strategy* pursuant to Schedule 1 - Clause 37.02 of the Yarra Ranges Planning Scheme.

The planning controls applying to the former Lilydale Quarry site requires preparation of an Affordable Housing Delivery Strategy (the Strategy). The Strategy must be prepared to the satisfaction of the Responsible Authority (Yarra Ranges Council) before a permit to subdivide or develop the land can be granted.

The Strategy must set out how Affordable Housing, as defined by the *Planning and Environment Act 1987* is to be achieved across the site and once approved will form the basis of a binding Affordable Housing Section 173 Agreement under the *Planning and Environment Act 1987* between the landowner and Council. Planning consultancy Urbis acting for the Proponent (Tav Lilydale Pty Ltd & LBJ Corporation Pty Ltd) has submitted an Affordable Housing Delivery Strategy for Council's consideration and approval. A copy of the Strategy is provided in Attachment 2.

The specific requirements of the Comprehensive Development Zone (Schedule 1 to Clause 37.02) relating to Affordable Housing are detailed below. These provisions are the outcome of Planning Scheme Amendment C193 which was considered under the Victorian Planning Authority (VPA) Fast Track Program and was approved as Amendment C203yr in January 2022.

CDZ1 - Provision of affordable housing

Before a permit to subdivide land is granted, the owner of the land must prepare an affordable housing delivery strategy to the satisfaction of the responsible authority, which sets out:

- How affordable housing is to be achieved, including the identification of intended partners, timeframes, built form and response to each of the matters set out by the Minister pursuant to section 3AA(2) of the Planning and Environment Act 1987;*
- Delivery of affordable dwellings, or land lots for construction of affordable dwellings, equal to 5% of the total dwellings proposed to be delivered across the incorporated CDP area, rounded to the nearest whole number, or any lesser number of dwellings as agreed between the owner and the responsible authority; or*
- The provision of affordable housing by any agreed alternative method generally consistent with the value of the above provision.*

Unless otherwise agreed to by the responsible authority, a permit must not be granted to subdivide land until an agreement under section 173 of the Planning and Environment Act 1987 has been entered into between the owner of the land and the responsible authority. The agreement must require the owner of the land to make a contribution towards affordable housing (Affordable Housing Contribution) in accordance with the approved affordable housing delivery strategy.

The agreement must provide for the Affordable Housing Contribution that is to be made by the owner of the land. The agreement must provide that where the parties have agreed on a method in the approved affordable housing delivery strategy by which the Affordable Housing Contribution will be provided, and the landowner makes a contribution that is in accordance with that agreed method then any obligation on the landowner to make the Affordable Housing Contribution has been fully and finally discharged.

Victorian Planning Authority Standing Advisory Committee Recommendations

Council's submission to the Victorian Planning Authority (VPA) and to the VPA Standing Advisory Committee that considered Amendment C193yr recommended a five percent affordable housing contribution be made that was targeted to assist Very low and Low income households. To achieve this outcome, Council recommended that the five percent affordable housing be directed towards providing social housing (the only housing tenure that is realistically affordable for Very Low and Low income households) that would be owned and managed by a Registered Housing Provider or Association. Consistent with expert witness advice provided at

the Advisory Committee hearing, Council also supported a further three percent be available for Moderate income households under an affordable purchase scheme.

The proponent's Affordable Housing proposal under Amendment C193 and tabled at the Advisory Committee hearing included an overall five (5) percent Affordable Housing contribution comprising 2.5 percent social housing and 2.5 percent of housing to be provided at market value to eligible Moderate-income households that met a defined 'Key Worker' criterion. The proponent also contemplated a shared equity option to support the affordable purchase scheme.

The Advisory Committee was satisfied that an overall five percent Affordable Housing contribution was appropriate. However, it did not express a view or make recommendations on how the Affordable Housing contribution should be delivered in terms of the proportion of social housing, income ranges and location of housing, leaving this level of detail to be determined through preparation of an Affordable Housing Delivery Strategy following approval of the rezoning.

Definition of Affordable Housing

According to the Australian Bureau of Statistics (ABS), financial housing stress, which is an outcome when housing becomes unaffordable, typically occurs once the cost of housing (either mortgage repayments or rent) exceeds 30 percent of a lower income household's gross income. Higher income households that may choose to spend more than 30 percent of their household income on housing are not typically considered to be in financial housing stress as the remaining income is sufficient for them to avoid financial hardship. Affordable Housing is therefore purposefully targeted towards lower income households where housing assistance/intervention is required to avoid financial housing stress. Affordable Housing can include affordable home ownership schemes, affordable rental housing, provision of crisis accommodation or social housing that is provided by Government or a Registered Housing Agency.

In 2018, the State Government amended the *Planning and Environment Act 1987* to require consideration of affordable housing during development proposals. Under the *Planning and Environment Act 1987*, Affordable Housing is housing, including social housing, that is appropriate for the needs of Very low, Low and Moderate income households.

A Governor in Council Order forms part of the definition of Affordable Housing and specifies the household income levels, which are updated periodically for Affordable Housing that is not social housing. A Ministerial Notice specifies matters relevant to determining whether the form of affordable housing is appropriate. The relevant section of the *Planning and Environment Act 1987*, Ministerial Notice and Government in Council Order are provided in Attachment 3. In summary, the following matters are required to be considered by the landowner and responsible authority when determining Affordable Housing contributions.

- Allocation (of affordable housing);
- Affordability (in terms of the capacity for Very low income, Low income and Moderate income households that the housing is intended for);

- Longevity (in terms of the public benefit of the provision);
- Tenure (e.g. owner – occupier, rental, etc);
- Type of housing, (in terms of form and quality);
- Location (in terms of site location and proximity to amenities, employment and transport);
- Integration (in terms of the physical build and local community); and
- Housing need (estimates of need e.g. ABS data, housing studies/research)

The State Government has not mandated a requirement for Affordable Housing on private landowners but has established an expectation for Councils and developers/owners to facilitate affordable housing outcomes consistent with the *Planning and Environment Act 1987*. In the case of the former Lilydale Quarry, the provision of a five percent Affordable Housing contribution was established during the rezoning of the land and was formerly introduced as a requirement into the Comprehensive Development Zone - Schedule 1, together with the need to prepare an Affordable Housing Delivery Strategy.

Proponent's Affordable Housing Proposition

The *Former Lilydale Quarry Affordable Housing Delivery Strategy* (the Strategy) submitted by the proponent is proposing to provide two categories of Affordable Housing. Category 1 includes 2.5 percent social housing (estimated to be 81 dwellings from an expected total dwelling yield of 3,050 dwellings) to be delivered and managed by the not-for-profit affordable housing organisation Haven; Home, Safe or a similarly qualified delivery partner. The intended delivery model includes gifting of land to the housing agency for it to develop and use as social rented housing. The remaining 2.5 percent (81 dwellings) is proposed to be 'affordable purchase units' for moderate income 'key worker' households, referred to in the Strategy as Category 2 (affordable purchase) homes. In total, the Strategy proposes delivery of 162 affordable homes within the Former Lilydale Quarry Comprehensive Development Plan area.

The social housing component will be provided through a land-gifting arrangement with Haven; Home, Safe, or a similar housing provider, that will provide housing for Very low and Low income households sourced from eligible households on the Victorian Housing Register in need of housing assistance. The dwellings are to be constructed by the housing provider and will be apartment style located within Precinct 3 (20 units) and Precinct 4 (61 units) of the Kinley development (refer to the attached Former Lilydale Quarry Precinct Map, Attachment 4) and are anticipated to be developed from 2027 through to 2036.

Housing targeted for 'Key Workers' (Category 2 homes) are predominantly medium density/town houses located within Precincts 1 and 3 that will be constructed by the developer and provided to 'qualifying households' at market value. The allocation of homes will be managed by the developer or by a third party. The dwellings in this category will need to remain 'affordable' for Moderate family and Moderate couple

income ranges, as defined by the Governor in Council Order. The eligible 2022 price points for Category 2 homes identified in the Strategy include:

- \$740-760,000 for a 3-bedroom product satisfies the moderate family income bracket;
- \$635,000 for a 2-bedroom product satisfies the moderate family income bracket; and
- \$590-620,000 for a 2-bedroom apartment satisfies moderate couple income bracket

The price points would need to be monitored over time and assessed to ensure the housing on offer remains affordable for Moderate income households (family and couples).

The Strategy anticipates delivery of Category 2 homes will occur from 2024-2030.

As required under the Comprehensive Development Zone (CDZ1) applying to the site, the proponent is required to make a five per cent contribution towards Affordable Housing as defined under section 3AA(2) of the *Planning and Environment Act 1987* and Specific Matters set out by the Minister for Planning.

The proponent submits the Strategy is consistent with the requirements of the Act and CDZ1.

Assessment of the Former Lilydale Quarry Affordable Housing Delivery Strategy

The delivery of Affordable Housing as part of the approval process is a negotiated outcome between the Council as the Responsible Authority and the developer. Accordingly, there are no prescribed approaches and affordable housing contributions vary between developments depending on the individual circumstances including the needs of the local community in which the developments are proposed.

Key considerations for the developer include such things as the cost and form of development, prevailing market prices and the extent of discounting required, and the financial arrangements between the developer and a registered housing agency involved in the delivery of social housing.

Key considerations for a municipal council are the extent to which the proposal meets priority housing need as informed by recent studies and investigations and the degree to which a proposal aligns with the strategic objectives of the Council. The feasibility and practicality of the proposal as well as the overall functionality, suitability and built form outcomes are other valid considerations.

Affordable Housing agreements between developers and Councils can involve the transfer of land to a registered housing provider or the provision of completed dwellings. Some schemes involve the developer selling a required percentage of completed dwellings to a housing agency at an agreed discount. One recently rezoned area in Bentleigh East requires developers to transfer land at no cost to a Registered Housing Agency to enable affordable housing (150 dwellings). Another

site in Clayton requires the transfer of land with the capacity to support the development of 10 percent of the site's total dwellings as Affordable Housing to be provided to a Registered Housing Agency or the gifting of two percent of total completed dwellings to a Registered Housing Agency at no cost to the Agency. A recently rezoned area in Altona North requires developers to make available five (5) percent of housing to a Registered Housing Agency or to the Council, at a 25 percent discount.

Typically, affordable housing outcomes achieved across sites of a similar scale to the Lilydale Quarry development are in the order of a five to ten percent affordable housing contribution and involve most of the affordable housing commitment being directed towards the delivery of social housing managed by a registered housing agency. It is less common to see affordable purchase schemes, particularly housing offered at market value as proposed by the proponent in the submitted Strategy.

Council officers conclude that the proposed Category 1 social housing is considered to strongly satisfy the affordable housing criteria set out under the *Planning and Environment Act 1987* and Ministerial guidance. This component will provide housing for Very low and Low income households where there is a demonstrated need for this form of housing in Yarra Ranges. In line with Council's adopted policies (for example the *Health and Wellbeing Plan 2021-2025*, Council endorsed *Guiding Principles of Housing and Homelessness 2020*) Council's highest priority is to address immediate housing shortages and homelessness and the most effective way of achieving this is to facilitate an increase in social housing to provide for much needed affordable rental housing.

While the submitted Strategy provides general guidance around the delivery of social housing, it is largely silent in relation to a number of aspects of the social housing provision contemplated in the Ministerial Notice and Governor in Council guidance. For example, the Strategy is vague in its commitments around the form and location of dwellings, land size, the number of bedrooms per dwelling and how many of each dwelling type will be provided. This detail will need to be informed by further needs assessment and the views of the social housing provider, however there must be clarity around at least a commitment to provide different social housing typology including number of bedrooms. Also, additional detail is required around social housing quality, location, accessibility, land size, its integration with the broader development and the delivery method.

Bringing forward the delivery of Category 1 homes would also be advantageous which would improve integration of the social housing across the development and enable social housing to be delivered earlier to address current housing needs. The proponent has indicated providing social housing within Precincts 1 or 2 could be more costly to the housing provider and these precincts are not the preferred location for the intended apartment style development. While it is acknowledged the delivery of the social housing dwellings will be undertaken by a housing partner, it is preferable the Strategy contemplates and directs a more even spread of social housing across the development as well as provide Category 1 homes earlier than proposed, as detailed below.

The Strategy has "backloaded" most of the social housing into Precinct 4, noting Precinct 4 remains contingent on successful geo-technical outcomes. Even if

successful, that success may be deferred from estimates due to those geo-technical factors. The Strategy contemplates 61 of the 81 social housing dwellings will be delivered from 2031 to 2036 in Precinct 4. The first of the social housing is to be delivered to Precinct 3 and then only 20 units, and these provided from 2027 to 2030. At the developer's option, it may be seven years from now before the first social housing dwelling is provided.

This report contains recommendations to bring forward a percentage of that social housing provision to Precinct 1 and spread it across the development to meet existing and future need in a timely way. While Precinct 1 is not located within the proposed "Urban Core" of the development, it is still conveniently located to the existing Lilydale Station and Lilydale activity centre and will be within easy walking distance to the future Train Station and proposed neighbourhood centre within Precinct 4. Once the former quarry site is developed as planned, all Precincts 1 to 4 will be well serviced with good access to public transport, schools, Lilydale activity centre, public open space and community facilities.

In relation to Category 2 (affordable purchase) homes, for 'Key Workers' officers conclude that this Category only partially meets the Matters specified by the Minister for Planning. A key concern is that this category of housing is not responding to a high housing need, given that the market is already providing housing at the nominated price points.

While providing sufficient housing for moderate income 'workers' is a growing issue, there is no current strategic justification for 'Key workers' to form part of an affordable housing agreement particularly where it would reduce the supply of housing to cohorts that are identified as priority – Very low and Low income households.

There is also a concern that Category 2 affordable purchase homes as proposed does not provide a long-term affordable housing outcome beyond providing a one-off benefit to the initial home purchaser. A shared equity arrangement may be appropriate to maintain and improve affordability of the dwellings and it could be designed to improve the longevity of the affordable housing outcome by securing and reinvesting any discounting of the property that may be required. At this stage the proponent does not believe Council needs to be concerned about whether discounting is required as the Section 173 Agreement will obligate the owner to provide the 81 dwellings at a price within the threshold of Moderate income households. The proponent is also of the view that there is no issue or inconsistency with the *Planning and Environment Act 1987* if the affordability outcome is confined to the initial purchaser as there will be a steady stream of affordable housing products which will have a positive impact on housing affordability generally.

While the Strategy obligates Category 2 homes to be 'affordable', there is benefit in providing greater clarity around the management of Category 2 housing. Key questions include:

- Who will be eligible to purchase Category 2 homes?;
- What is the definition of a 'Key Worker'?

- How long will the owner-occupier have to commit to reside in the dwelling in order to be eligible to purchase a Category 2 home?; and
- How will the borrowing capacity of eligible customers be determined?

Council has no mechanism to approve and enforce these requirements and it would be unadvisable for Council to attempt to take on this role through a complicated section 173 Agreement. More detail is required around the implementation and ongoing management of Category 2 homes.

Council officers note that while there is a high volume of Moderate income level households in Yarra Ranges which in turn leads to a high demand for housing within this income group, this does not equate to Moderate income households being in most need of housing assistance as purported by the Strategy. On the contrary, it is the Very low and Low income households that are in most need of housing assistance. This was recently confirmed by analysis undertaken by the consultancy Affordable Development Outcomes, which reviewed data from the 2021 Census showing in Yarra Ranges it is predominantly the Low and Very Low income households which are under housing stress, refer to Figure 1 below.

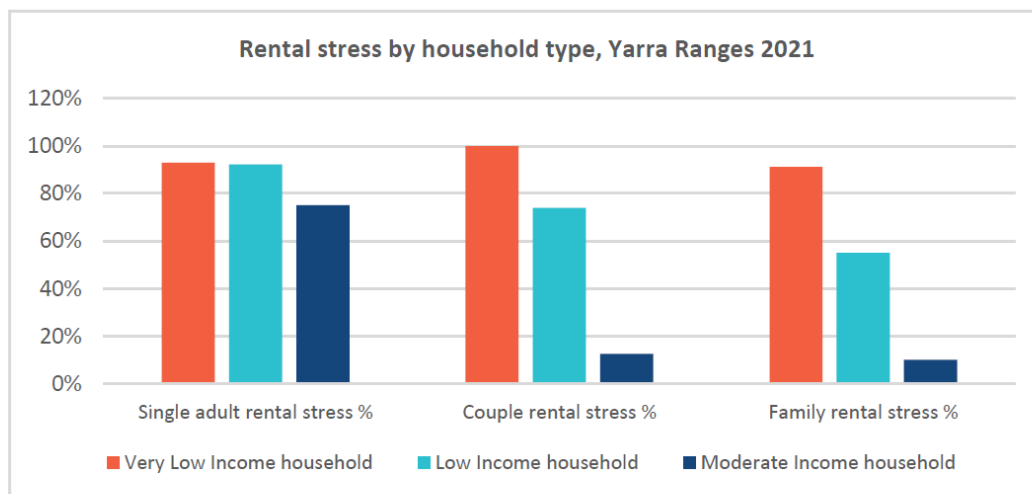


Figure 1: Rental Stress by P&E Act income bands (Census 2021 & ABS Table Builder. Affordable Development Outcomes)

It is also worth noting that the Strategy commits 162 affordable housing dwellings (81 social housing, 81 affordable purchase dwellings), which equates to a 5.32 percent contribution based on a total dwelling yield of 3,050 dwellings rather than 5.0 percent as required under the CDZ1. This is likely an inadvertent inclusion from the previous estimate total yield of 3,241 dwellings (Kinley Affordable Housing Proposition, 29 April 2020) whereby 162 equates to a 5.0 percent contribution. This will require clarification. Ultimately, however many dwellings are yielded, it will be the percentage that needs to be applied (to at least 5 percent total) and as it stands the Strategy's commitment of 162 affordable housing dwellings is an overestimation.

Options considered

Option 1: Approve the Affordable Housing Delivery Strategy as submitted

Council is required to consider whether the submitted Strategy satisfies the requirements under the *Planning and Environment Act 1987* and the CDZ1.

The Category 1 (social housing) homes are considered to satisfy all Matters specified under the *Planning and Environment Act 1987* and will respond to the priorities identified in Council housing policies by providing housing targeted towards those in most need.

Providing the Category 2 (affordable purchase) homes remain affordable for Moderate income households, they will partially comply with the Matters specified under the *Planning and Environment Act 1987*. The housing will enable Moderate income households to enter the property market without entering into financial housing stress and potentially free up affordable rental accommodation. However, the Category 2 homes as proposed will only benefit the initial purchaser and it is arguable that this Category is not specifically addressing a major housing need given the market is already providing this level of housing affordability without Government intervention. It is therefore preferable and appropriate to direct a higher proportion of the Affordable Housing provisions under the CDZ1 to assist more vulnerable household groups.

Overall, it is recommended that Council not approve the Strategy as submitted as there are critical areas that require review and further detail. Key to this includes requesting an increase to the percentage of Category 1 homes (social housing) and bringing forward the delivery of some of this Category. It is also recommended that the Strategy provide further detail on how Category 2 (affordable purchase) will be managed and provide more detail on the eligibility criteria. It is also recommended that the oversight of Category 2 homes be managed by an independent housing organisation. Further clarity on the exact number of affordable housing dwellings (both Social and Affordable Purchase) that will be delivered is also required.

Option 2: Request that all of the five percent Affordable Housing be targeted towards Social Housing

While targeting the entire five percent of Affordable Housing towards social housing would be an ideal outcome, it is clear the proponent is not willing to support this. At the Advisory Committee hearing, the proponent rejected the full five percent affordable housing being directed towards social housing and it is highly likely the proponent will seek a review of Council's decision at VCAT, should a request be made to provide the full five percent as social housing. The Standing Advisory Committee did not stipulate a five percent social housing outcome, leaving this level of detail to be negotiated under the Affordable Housing Delivery Strategy.

Option 3: Request a modest increase in Category 1 (social housing) homes and other changes

A third option available is to request a smaller percentage increase towards the social housing outcome together with other changes to improve the implementation of the Strategy. This is discussed below.

Recommended option and justification

To improve the outcomes of the Affordable Housing Delivery Strategy and achieve greater compliance with the specified Matters under the *Planning and Environment Act 1987*, it is recommended that a higher proportion of the overall five percent of Affordable Housing be targeted to assist Very low and Low income households. The most effective way of achieving this is to increase the proportion of Category 1 (social housing) homes.

Given the scale of the development and acknowledging the significant costs associated with rehabilitating the site, a one (1) percentage increase of Category 1 (social housing) homes from 2.5 percent to 3.5 percent would realise in the order of 107 social housing units (based on a total yield of 3,050 dwellings) to be delivered over the life of the development. This would make a significant contribution towards addressing housing needs for the most vulnerable in the community.

Given the geo-technical challenges and timing of development of Precinct 4, a greater proportion of social housing should be located in Precinct 3. A commitment to deliver a proportion of the social housing in Precinct 1 is also recommended, as this will enable earlier delivery and better integration.

Increasing the extent of social housing (Category 1) will provide the greatest level of certainty and confidence around the delivery of affordable housing for the long term. Category 1 housing will be managed by a Registered Housing Agency that is regulated under the *Housing Act 1993*, which will minimise ongoing involvement (monitoring and enforcement of the Section 173 Agreement) by Council. In contrast, there is greater uncertainty with the Category 2 homes as proposed, which will require a more complex Section 173 Agreement and ongoing monitoring/enforcement of this Agreement. Matters that Council would need to monitor and make decisions on would include assessing the eligibility and vetting of 'key worker' purchasers as well as determining the 'affordability thresholds' of the housing products based on the borrowing capacity of Medium income bracket households. As previously stated, this is not a role that Council or the developer should undertake and is better suited to an independent registered housing association.

Therefore, improvements could be made to the Category 2 housing proposal by requiring an independent housing provider/association manage this component as opposed to the developer. Improving the longevity of the affordability outcome could also be achieved through a shared equity scheme which if proposed should be managed by a housing provider. This detail would need to be explained in the Strategy.

Overall, to improve compliance with the Affordable Housing criteria specified under the *Planning and Environment Act 1987*, and to enable smooth transition and implementation of the Strategy through the required Section 173 Agreement, it is recommended that the following matters listed below are addressed by the proponent before Council approves the Strategy:

- An updated needs assessment is undertaken which may eventuate as a review and update of the existing Strategy, however confidence of a needs analysis from a 2023 (and future) position is required;
- The Strategy is modified to increase the Category 1 (social housing) from 2.5 percent to at least 3.5 percent (approximately 107 social housing units). This may require a modified arrangement between the social housing delivery partner (currently Haven; Home, Safe) and the landowner to accommodate this percentage increase;
- Crucially bringing forward the delivery of social housing into Precinct 1 (roughly 25 percent or about 27 dwellings) and similar amounts confirmed in Precinct 3. Also spreading the timing for such delivery across the stages of development, not “back loading” the provision. This also partially addresses the risk of an incomplete Precinct 4;
- The Strategy confirms that the social housing to be delivered will be owned and managed by a registered agency under the *Housing Act 1983* and that all land to be transferred for social housing will meet the needs of the registered agency including location, suitability of land for the intended built form, provision of services and timing of delivery;
- The Strategy includes alternate delivery methods, or the mechanisms to achieve an equivalent social housing contribution that is committed under an approved Strategy should the landowner be unable to secure an appropriate housing partner to deliver the intended social housing;
- The Strategy include a requirement for and details as to how an independent housing organisation is to be appointed to oversee the implementation of Category 2 (affordable purchase) homes;
- The Strategy details the eligibility criteria relating to Category 2 (affordable purchase) homes and any methods by which such affordability can be secured through subsequent sales and purchases, for example a shared equity scheme;
- For each Precinct, the Strategy confirms the number of affordable housing dwellings (Social Housing and Affordable Purchase Housing) and provides details around the location, estimated land requirements, building typology, integration, number of bedrooms, and timing of delivery;
- The Strategy includes a monitoring and reporting process detailing implementation of the Strategy and associated Affordable Housing Section 173 Agreement, which is to be submitted to Council on an annual basis; and

- A draft form of 173 Agreement (or its key details) be included which address such matters as:
 - delivery of the Strategy (modified as contemplated in this report) and in turn the Affordable Housing;
 - specifying methodology to ensure allocation, location, type of housing, integration and tenure for the housing;
 - ensuring the spread of social housing particularly across each Precincts 1, 3 and 4, in roughly equal proportions; and
 - recognising that if Precinct 4 cannot be developed as contemplated, the necessary reduction in affordable housing provision and agreed methodology around such reduction.

If the Strategy is amended accordingly, officers would be in a position to recommend approval of the Strategy and its implementation through a Section 173 Agreement.

FINANCIAL ANALYSIS

Costs associated with the assessment of the submitted Affordable Housing Delivery Strategy is covered by the Strategic Project Department's operational budget. Delivery of the Strategy is not expected to result in significant additional costs to Council. There will be some additional workload generated from the need to monitor implementation of the Strategy and ensure compliance with obligations under a future Affordable Housing Section 173 Agreement, which can be covered by existing operating budgets.

APPLICABLE PLANS AND POLICIES

This report contributes to the following strategic objective(s) in the Council Plan 2021 - 2025:

Quality Infrastructure and Liveable Places – Quality facilities meet current and future needs. Places are well planned hubs of activity that foster wellbeing, creativity and innovation.

Specifically: Action 9 of the Council Action Plan 2022-2025 under Quality Infrastructure and Liveable Places.

Plan, facilitate and develop urban renewal projects, including Lilydale Revitalisation project, Kinley re-development and Level Crossing Removal to facilitate the revitalisation of Lilydale. Ensuring alignment with Council's place making objectives of encouraging a vibrant, attractive, sustainable, healthy and connected community.

The following Council strategies and plans and endorsed documents are also relevant and support the provision of affordable housing, (refer to attached summary, Attachment 5)

- *Housing Strategy 2009;*
- *Health and Wellbeing Plan 2021-2025;*
- *Guiding Principles of Housing and Homelessness 2020; and*
- *Lilydale Major Activity Centre Structure Plan 2022*

RELEVANT LAW

Council, as the Responsible Authority under the *Planning and Environment Act 1987*, is required to consider the *Former Lilydale Quarry Affordable Housing Delivery Strategy*, which has been submitted pursuant to Schedule 1 to Clause 37.02 (*Former Lilydale Quarry Comprehensive Development Plan*).

Under the CDZ1, Council will be required to enter into an agreement under Section 173 of the *Planning and Environment Act 1987* with the landowner to secure Affordable Housing outcomes in accordance with the approved *Former Lilydale Quarry Affordable Housing Delivery Strategy*.

SUSTAINABILITY IMPLICATIONS

Economic Implications

The redevelopment of the former Lilydale Quarry is a major urban renewal site that will realise significant economic benefit to the region. Approval of the *Former Lilydale Quarry Affordable Housing Delivery Strategy* and execution of the Affordable Housing Section 173 Agreement will facilitate the construction of affordable housing for the community, that is conveniently located to services, facilities and public transport.

Social Implications

Securing affordable housing as part of the urban renewal of the former Lilydale Quarry site will lead to significant social benefit. The provision of additional social housing will address a significant housing gap for Very low and Low income households. The provision of homes that are within reach of Moderate income households will enable these households to purchase a dwelling without causing financial housing stress.

Environmental Implications

The Former Lilydale Quarry is located adjacent to the Lilydale town centre and is ideally located to facilitate transit orientated development and active modes of transport, thereby minimising reliance on private motor vehicles. All residential development within the Former Lilydale Quarry site will be required to meet specific environmental performance construction standards in accordance with an approved Precinct Sustainability Management Plan, which will require new development to minimise environmental impacts. The master planned development has been planned to create quality liveable places through considerations including

responsible management of urban stormwater, provision of quality public open spaces and community facilities, a network of shared paths, provision of public transport infrastructure, protection of cultural heritage and incorporation of landscaping and tree canopy opportunities.

COMMUNITY ENGAGEMENT

Approval of the *Former Lilydale Quarry Affordable Housing Delivery Strategy* is considered a secondary consent matter and accordingly there are no formal notification or advertising requirements under the *Planning and Environment Act 1987*.

The proposal to provide a five percent affordable housing contribution within the former Lilydale Quarry site was made public during the exhibition of Amendment C193 to the Yarra Ranges Planning Scheme and was considered under the Victorian Planning Authority (VPA) Fast Track Program, where submissions to the proposed Amendment were invited and these were referred to the VPA Fast Track Standing Advisory Committee.

The requirement to provide a five percent Affordable Housing contribution within the Former Lilydale Quarry site and preparation of an Affordable Housing Delivery Strategy to the satisfaction of the Responsible Authority is documented in Schedule 1 to the Comprehensive Development Zone, (Clause 37.01) which forms part of the Yarra Ranges Planning Scheme.

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

In preparing this item, Council officers have considered the views of relevant internal areas of Council and have sought expert advice.

RISK ASSESSMENT

Approval of an Affordable Housing Delivery Strategy and formalising the delivery of the Strategy are requirements under the Comprehensive Development Zone (CDZ1) applying to the land. Approval of the Strategy to the satisfaction of the Responsible Authority and execution of an Affordable Housing Agreement under Section 173 of the *Planning and Environment Act 1987* must occur before development of the former Lilydale Quarry site can proceed. The proponent can seek a review at VCAT should the matter not be resolved within a 'reasonable time' (section 149 of the *Planning and Environment Act 1987*).

Delivery of the social housing component (identified in the Strategy as Category 1 homes) is proposed to be undertaken by a Registered Housing Agency (currently proposed to be Haven; Home, Safe) following gifting of land by the developer. This means that a housing partner must be available with sufficient resources to build and manage the social housing. To address this uncertainty, a recommendation has been made for the Strategy to provide an alternative mechanism detailing how the landowner will meet this obligation should a housing provider not be secured. It is also recommended that a proportion of social housing be provided in Precinct 1,

where the delivery timeline is earlier than proposed in the Strategy and a higher proportion of social housing is located outside of Precinct 4 (which includes the former quarry pit area).

The quantity of affordable housing proposed is also a percentage of the overall development yield and consequently the number of affordable dwellings committed under the Strategy is dependent on achieving the agreed estimated total yield (currently identified in the submitted Strategy at 3,050 dwellings) across the CDZ1 area. A recommendation has been made to seek clarification on the number of committed affordable housing dwellings.

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

1. Recommended Changes to the Former Lilydale Quarry Affordable Housing Delivery Strategy (September 2022)
2. Former Lilydale Quarry Affordable Housing Delivery Strategy (September 2022)
3. Extracts - Affordable Housing Legislation, Ministerial Notice & Govt. in Council Order
4. Former Lilydale Quarry Precinct Map
5. Summary of Council policies and strategies in regard to Social and Affordable Housing