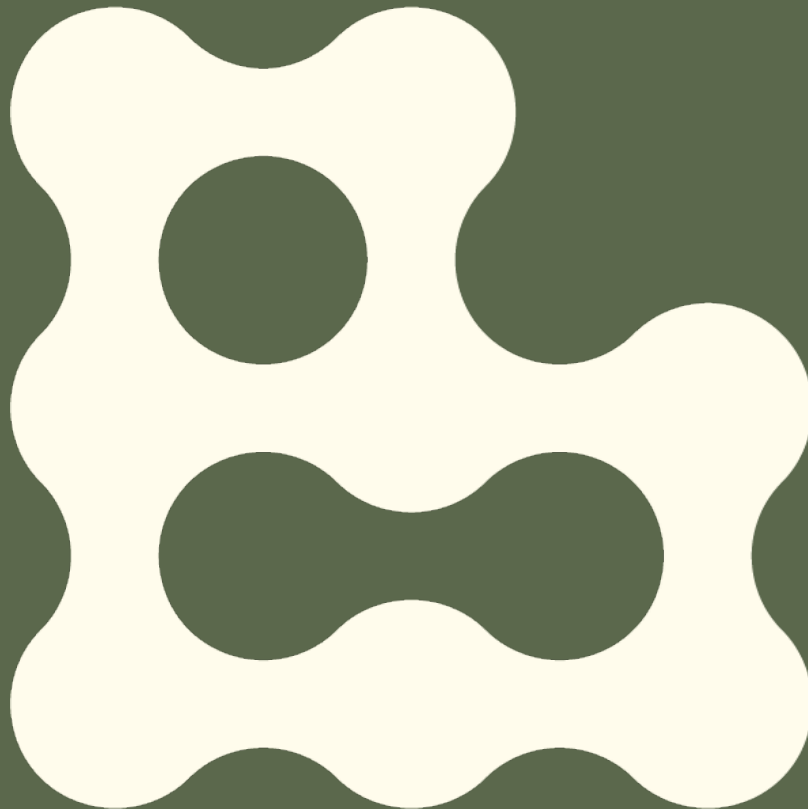


FEEDBACK ON THE SRLA DRAFT STRUCTURE PLANS AND DRAFT IMPLEMENTATION PLANS

April 2025



BOWER INSIGHTS

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We believe in the power of informed decisions to create lasting change and are dedicated to our purpose of providing insights and services that enable positive social impact. With a strong focus on the intersectional impacts of our projects and policy work, we are committed to advancing social equity by engaging with diverse communities and prioritising projects that deliver significant social benefits.

Bower Insights is proud to have a diverse client base including leading not-for-profit and private entities as well as government partners across Australia. Our clients operate in housing delivery, precincts and infrastructure renewal, government industries, regional development, health, education, and residential and commercial development.

The Bower Insights team has extensive knowledge of the housing, infrastructure and planning sectors. We understand that addressing Australia's housing crisis requires a sustained and coordinated effort across these sectors, and we are dedicated to helping to deliver projects with positive housing outcomes. We provide support in project delivery, funding, development management, research and market insights and property advisory, and work across private, government and not-for-profit property markets.

Recommendations

Based on the analysis presented, Bower Insights makes the following recommendations to the Victorian Government and the Suburban Rail Loop Authority:

1. **Affordable Housing includes rental and home ownership models:** Amend to clarify that measures within both the IZ policies proposed in this submission, and the voluntary mechanism already proposed in the SRL East Draft Structure Plans, allow for provision of affordable housing as both rental and home ownership recognising that this is more accurately aligned to the Act.
2. **Adopt Mandatory Inclusionary Zoning:** Formally adopt and implement a **mandatory Inclusionary Zoning (IZ) policy** for all new residential and mixed-use developments exceeding a defined threshold for the provision of Affordable Housing within the six designated SRL East Structure Plan precincts (Cheltenham, Clayton, Monash, Glen Waverley, Burwood, Box Hill).
3. **Set Evidence-Based Contribution Requirement:** Establish precinct-specific mandatory IZ contribution requirements that are informed by the SRLA's own Housing Needs Assessments. These targets should aim for contributions reflecting the identified need, that deliver a diverse range of Affordable Housing forms and tenures that will serve to address housing adequacy and significantly exceed outcomes typically achieved through voluntary schemes.
4. **Embed mandatory IZ provisions in Statutory Planning Controls:** Integrate these mandatory IZ requirements directly within the statutory planning controls for each precinct, primarily through the schedules to the **Precinct Zone (PRZ)**.
5. **Define Affordability Targets and Duration:** Ensure the Affordable Housing contributions cater to the needs of **very low, low, and moderate-income households**, with mechanisms to ensure a portion addresses housing adequacy across the continuum. Utilise appropriate measures to guarantee long term affordability based on housing tenure.
6. **Address the Right to Housing Adequacy:** Ensure that the planning controls provide for and address the Right to Housing Adequacy, beyond the singular consideration of

housing affordability. Measures and considerations should be provided (as relevant) to address security of tenure, availability of services, habitability, accessibility, location, cultural adequacy *and* affordability.

7. **Design a Robust IZ Framework:** Define the IZ mechanism clearly within planning controls, specifying contribution basis, income targets aligned with State definitions, long-term affordability durations (affordable purchase/ 30+ years/perpetuity), prioritising on-site delivery, setting carefully calculated contribution schemes for delivery of Affordable Housing within the respective Council that also link to the Floor Space Area Uplift scheme provisions.
8. **Resource Effective Administration:** Allocate sufficient resources to **Homes Victoria, SRLA, and relevant Local Councils** to effectively administer, monitor, and enforce the mandatory IZ policy across the SRL East precincts, including facilitating partnerships with industry, Community Housing Providers, and social value investors.

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01

Introduction: A generational opportunity for housing diversity across Suburban Rail Loop East precincts

Purpose of the submission

This submission is provided in response to the Suburban Rail Loop Authority's (SRLA) Structure Plans Engagement program for the Suburban Rail Loop (SRL) East project. It focuses specifically on the critical need and opportunity to integrate mechanisms for delivering appropriate housing supply that are aligned to the original vision and objectives of the SRL East project, while recognising the critical role that governments and industry have to support the achievement of the Right to Housing Adequacy¹. This should be achieved by embedding meaningful and lasting housing diversity, adequacy, and affordability mechanisms within the planning framework for the six SRL East precincts: Cheltenham, Clayton, Monash, Glen Waverley, Burwood, and Box Hill.

Bower Insights brings expertise in economic and policy advisory, with a strong focus on housing, rights advocacy, infrastructure, and planning matters, driven by a commitment to positive social impact and equity. Accordingly, the central premise of this submission builds on this extensive experience to advocate for the integration of *mandatory* affordable housing minimum requirements as a fundamental and non-

negotiable component of the SRL East structure plans and associated planning controls. While the draft plans acknowledge the need for affordable housing, the proposed voluntary mechanisms are considered insufficient to guarantee the delivery of affordable housing at the scale required to meet identified needs and leverage the significant public investment underpinning the SRL project.

This submission advocates strongly for the adoption and implementation of a mandatory Inclusionary Zoning (IZ) policy as a core component of the Structure Plans and associated planning controls for these precincts. It argues that mandatory IZ represents the most effective, equitable, and strategically aligned approach to ensuring the significant public investment in SRL delivers lasting benefits for all Victorians, including those on very low, low, and moderate incomes who are increasingly excluded from the housing market at all points across the housing continuum within these geographical precincts.

Recommendation:

Adopt Mandatory Inclusionary Zoning:

Formally adopt and implement a **mandatory Inclusionary Zoning (IZ) policy** for all new residential and mixed-use developments exceeding a defined threshold for the provision of Affordable

Housing within the six designated SRL East Structure Plan precincts (Cheltenham, Clayton, Monash, Glen Waverley, Burwood, Box Hill).

Housing opportunity

The Allan Labor Government's ongoing commitment to address the critical shortage of housing supply and diversity across Victoria must be recognised. However, this submission demonstrates that reliance on voluntary mechanisms and market forces alone will never be sufficient to make a meaningful step-change to the critical undersupply of adequate housing that Victorians desperately need. SRL East represents a once in a generational opportunity to embed solutions within the planning system and associated Structure Plans that will ultimately shift supply behaviour beyond the six precincts and genuinely start to address the underlying issues of housing inequity.

Acting as an urban renewal catalyst, the Draft Structure Plans have set a project forecast to deliver over 70,000 homes along the corridor, with approximately 24,500 to be delivered in the SRL East precincts by 2041. As such, setting dwelling targets in isolation of considered housing policy and mandatory planning mechanisms that address all forms of housing adequacy including affordability is an insufficient outcome for all Victorians.

This submission contends that the significant land value uplift anticipated within the SRL East precincts, directly resulting from public investment, must be partially captured and reinvested for public benefit. Mandatory IZ policies that address all forms of affordable housing (both rental and purchase) provide a proven, internationally recognised mechanism for achieving this form of value capture or value sharing².

By requiring new developments catalysed by the SRL to contribute a modest proportion of affordable housing, the State can ensure the project actively contributes to addressing Victoria's housing crisis, fostering socially diverse communities, and enabling key workers to live near the jobs and services the SRL aims to connect. Implementing mandatory IZ is essential to ensure the SRL project enhances, rather than undermines, housing equity across Melbourne's east.

02

The escalating housing need in Melbourne's East: Context for SRL Precincts

Defining Affordable Housing

The Planning and Environment Act 1987, Victoria (the Act) provides a clear statutory definition of affordable housing, which is central to the SRL East project. Section 3AA of the Act, affordable housing is defined as 'housing, including social housing, that is appropriate for the housing needs of very low, low and moderate-income households'³. The Act provides clarification for the appropriateness of affordable housing as relevant to the specific needs of target income groups.

Understanding the definition is fundamental to the interpretation of 'affordable housing' and the objectives that can be achieved through the planning system. Accordingly, it is critical to acknowledge is that the Act contemplates the '*needs of very low, low and moderate-income households*' and is tenure-neutral, which makes allowances for both rental and ownership models. Specifically:

- That the purpose of identifying target cohorts is important to ensure that initiatives respond to the specific needs and affordability challenges faced in the housing market,
- The term '*housing*' is defined without restrictions on tenure type, and

whilst the Ministerial Notice⁴ gives consideration to 'tenure' it does not specify or exclude tenure types such as ownership models.

- The focus of the definition remains squarely on the *suitability* of the dwelling for the *needs* of specific *income groups*, rather than the legal form of tenure through which occupancy is secured.

The practical application of affordable housing been recognised in various local, state and federal government housing policies to be a range of solutions that address housing adequacy and the needs of the resident, including pathways to home ownership alongside rental options.

It is accepted that the housing affordability crisis in Australia is one that faces residents seeking rental and ownership solutions alike, and all participants across the sector (government, policy market developers) have a responsibility to facilitate and deliver affordable housing solutions suitable across all tenure forms. The current voluntary planning provisions as provided by SRLA are ambiguous in terms of enabling the delivery of affordable home ownership through build to sell developments. Whilst the Allan Labor Government does currently support policy outcomes such as shared

equity and taxation measures to first home owners, the Act includes provisions designed for the delivery of affordable housing through affordable home ownership models that must also be relied on.

A concern that must be addressed is that due to this lack of clarity regarding the delivery of affordable home ownership outcomes as a suitable mechanism to meet affordable housing thresholds through the voluntary mechanisms (FAR or the DTP development facilitation pathway), there could be a significant number of developments that will not proceed that would have otherwise been fast-tracked to address the much needed supply of housing across these precincts.

Recommendation:

Affordable Housing includes rental and home ownership models: Amend to clarify that measures within both the IZ policies proposed in this submission, and the voluntary mechanism already proposed in the SRL East Draft Structure Plans, allow for provision of affordable housing as both rental and home ownership recognising that this is more accurately aligned to the Act.

The Right to Adequate Housing: A resident centred approach to urban renewal and supply

Central to evaluating the equity and sustainability of urban renewal initiatives such as SRL East is the application of the right to adequate housing. It is important for the Allan Labor Government to drive all developments across the precincts within the principles of this right, and in doing so

acknowledge the inherent tension of state significant infrastructure objectives, urbanisation requirements and the needs for all residents of the precincts to receive adequate housing outcomes that are not only affordable but also achieve the following:

- security of tenure,
- availability of services,
- habitability,
- accessibility,
- location, and
- cultural adequacy.

Supportive measures through the Structure Plans should be expanded to address the practical application and consideration of the right to adequate housing through the planning, design and development stages.

Recommendation:

Address the Right to Housing Adequacy: Ensure that the planning controls provide for and address the Right to Housing Adequacy, beyond the singular consideration of housing affordability. That measures and considerations are provided (as relevant) to address security of tenure, availability of services, habitability, accessibility, location, cultural adequacy *and* affordability.

Addressing the challenge: Housing stress across the continuum and affordability metrics

Victoria is experiencing a growing housing crisis, with rising house prices and rents, lower vacancy rates and higher costs of living pushing ever more households into

housing stress, precarious housing and homelessness.

Since the early 1990s, house prices have risen sharply – in the thirty years to 2022, Melbourne dwelling values are up 459% (5.9% per annum), the highest long-term growth rate of any capital city⁵. Decreased housing affordability has created significant barriers to entering the housing market, particularly for younger and lower income households. Decreasing home ownership and rapid population growth place increasing pressure on the rental market, with current housing supply not keeping up with demand. As a result, rental vacancy rates remain low while rents in Melbourne have increased 32% since March 2020 – well above median income increases⁶.

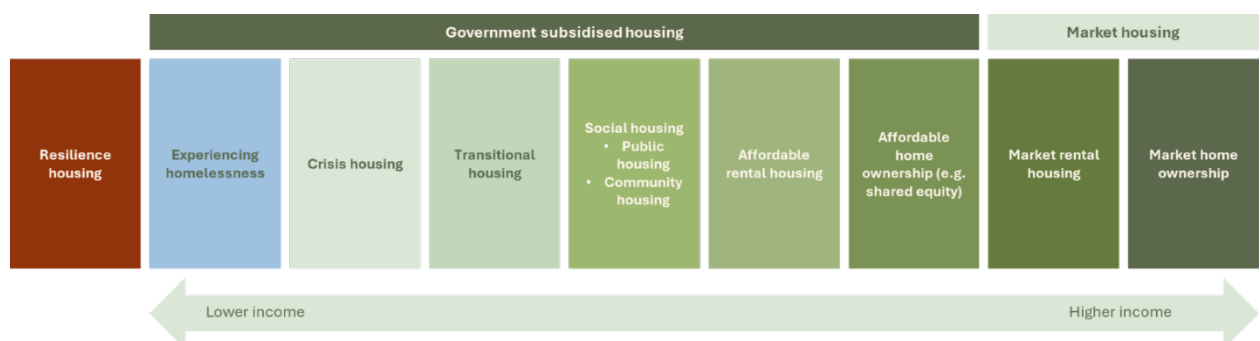
At the same time, there is a shortage of social and affordable housing in the State, due to decades of underfunding. Victoria has both the highest number of households at risk of homelessness, with almost one million households at risk, as well as the lowest percentage of social housing of any jurisdiction, representing only 2.8% of all Victorian homes, well below the national average of 4.1%^{7,8}.

To meet forecasted population growth, the Draft Structure Plans for SRL East provide for 24,500 new homes by 2041, and more than 70,000 new homes over the next 30 years. Through the delivery of the SRL precincts, these areas will experience significant population growth, along with increased employment opportunities, accessibility and amenity.

Providing adequate housing to meet future needs requires a range of affordable housing solutions across the housing continuum (Figure 1), including social housing, affordable and keyworker accommodation, student accommodation, and affordable purchase options.

Social and affordable housing is a key component in the delivery of housing across all SRL East precincts, with the SRLA's Housing Needs Assessments forecasting that the requirements for social and affordable housing range from 15% to almost 40% of the new dwellings to be delivered in the precincts. This level of social and affordable housing delivery is significantly above current delivery levels, and requires clear targets and implementation plans to ensure it is met.

Figure 1: The housing continuum



Location specific housing needs

To ensure that the SRL East plans deliver new housing supply that is adequate for future residents, the Structure Plans must include clear targets for a diverse range of housing types to meet the specific needs of each SRL East location.

Cheltenham

Cheltenham's Structure Plan Area is forecast to accommodate population growth of approximately 11,400 people and an additional 4,500 dwellings. Cheltenham has a significant shortfall in social housing, with only 0.4% of households residing in social housing as of the 2021 census, compared to the Melbourne average of 2.3%⁹. The SRLA's Housing Needs Assessment forecasts an additional 670 social and affordable dwellings will be required in this time, or 15% of the additional dwellings required.

Cheltenham, along with the other SRL East Precincts has a high proportion of keyworker or essential jobs, including retail, health and administrative roles, which often have low to moderate incomes. While Cheltenham's current population has relatively high personal and household incomes, it is likely that many of these keyworkers are travelling from more affordable areas to work in the Precinct area. In order to provide housing close to where people work, keyworker and other affordable rental will be required in Cheltenham's housing targets.

With house prices above the metropolitan Melbourne median, affordable home ownership targets (such as shared equity or rent to buy models) should also be considered to support low and moderate income households improving their position on the housing continuum^{10,11}.

Clayton

Clayton's Structure Plan Area is forecast to accommodate population growth of approximately 12,500 people and an additional 5,600 dwellings. There is significant need for social and affordable housing as part of this increased supply – with the Housing Needs Assessment providing an estimate of 1,810 (32.3% of new housing supply) dwellings needed. Given its proximity to the Monash Medical Centre and Monash Children's Hospital, a significant proportion of Clayton's employment is in the health sector, and affordable keyworker accommodation is likely to be a key requirement for the housing in the area.

Clayton also has a high proportion of renters and young adults who may be moving into home ownership in future years – to accommodate these cohorts, affordable home purchase options should be included in the Structure Plan targets.

Monash

The Monash Structure Plan envisages population growth of approximately 7,900 people and an additional 4,400 dwellings – more than doubling the existing housing stock. A significant number of these (1,570 dwellings or 36% of additional stock) are forecast to be required as social and affordable housing to meet the area's housing needs.

Similarly to Clayton, Monash has a high proportion of health and education keyworkers, with a large number of employment opportunities available in Monash's National Employment and Innovation Cluster (NEIC). As such, the Monash SRL precinct will need significant supply of affordable keyworker accommodation to provide adequate

housing near these employment opportunities.

Monash also has a need for student accommodation – with a forecasted demand of 1,270 beds by 2041.

Glen Waverley

The Glen Waverley Structure Plan Area is forecast to accommodate population growth of approximately 4,600 people and an additional 1,500 dwellings. While this is a relatively smaller level of housing supply needed, an estimated 580 (38.7%) of these dwellings are required to be delivered as social and affordable housing to meet forecasted need.

Glen Waverley has seen significant rent increases and now has very unaffordable rents for median income earners. The median rental for a one-bedroom unit in Glen Waverley sits at \$620 – an increase of 34% in the past 12 months¹². In order to afford to rent this unit, a single person household would need to earn more than \$107,000. Given that Glen Waverley's economy is primarily based on retail, food services and accommodation – with relatively low incomes – affordable and keyworker accommodation will be required to ensure people can live close to where they work.

Burwood

The Burwood Structure Plan Area is forecast to accommodate population growth of approximately 5,800 people and an additional 2,600 dwellings, more than double the existing housing supply. It is projected that 550 of these (21.3%) will be required to be social and affordable housing.

The future population and housing needs of the Burwood SRL precinct are heavily influenced by Deakin University, with

significant demand for student accommodation. Burwood also has large numbers of renter and lower income households which would benefit from affordable home purchase options in the area.

Box Hill

The Box Hill Structure Plan Area is forecast to accommodate population growth of approximately 15,800 people and an additional 5,900 dwellings of which 2,190 (37%) are forecast to be required as social and affordable housing.

Despite lower than average individual and household incomes, rents in Box Hill are relatively high – requiring around the median income to afford rent¹³. As such, there are high levels of rental stress in Box Hill, with 44.4% of all renters in housing stress, significantly above the Victorian average of 30.9%¹⁴. As in the other SRL East Precincts, there is a large proportion of key workers and these households along with other lower income earners are likely to require long-term affordable rental accommodation.

There is a significant forecast need for both new retirement dwellings (130 units) and residential aged care beds (980), along with demand for student accommodation, although to a lesser extent than Burwood and Monash.

Box Hill also has a relatively large number of families with children – while higher density housing is prioritised to meet the housing targets, a diversity of housing sizes must be provided to ensure this population's needs are met.

03

Mechanisms for the provision of affordable housing

Context: SRL East precinct planning and housing needs

The draft Structure Plans as considered through this public engagement include reference Housing Needs Assessments (HNAs) that have identified the following substantial need for affordable housing across the precincts. For example:

- In the **Glen Waverley** Structure Plan Area, the HNA projects a need for 600 social and affordable housing households by 2041. Considering the minimal existing supply (around 20 dwellings), this represents an unmet need or 'gap' of approximately 580 dwellings, accounting for a significant 38.7% of the total net additional dwellings projected for the precinct¹⁵.
- In the **Monash** Structure Plan Area, the projected need is even starker, with 1,650 households estimated to be eligible for social and affordable housing by 2041. With an existing supply of around 80 dwellings, the identified gap is 1,570 dwellings, representing 36% of the precinct's projected net additional dwelling requirement¹⁶.

- In the **Cheltenham** Structure Plan Area, 770 households are projected to be eligible by 2041. Factoring in the existing 100 dwellings leaves a gap of 670 dwellings, equating to 15% of the total net additional dwellings needed in that precinct¹⁷

Unfortunately, the HNAs all consistently highlight that market forces alone are unlikely to deliver the required volume of affordable housing across SRL East.

Recommendation:

Define Affordability Targets and Duration: Ensure the Affordable Housing contributions cater to the needs of **very low, low, and moderate-income households**, with mechanisms to ensure a portion addresses housing adequacy across the continuum). Utilise appropriate measures to guarantee long term affordability based on housing tenure.

Government's obligation to provide affordable housing

While the proposed voluntary development incentive scheme provides a framework for developers to exceed prescribed Floor Area Ratios (FARs) if they deliver public benefits,

it operates on an opt-in basis only and the FAR can also be achieved via alternate eligible 'public benefits' further reducing incentive for the market to self-deliver on affordable housing outcomes. As discussed earlier in this submission, the lack of clarity offered through feasible affordable tenure types will further discourage the market from participating in voluntary mechanisms for supply of affordable housing.

The Allan Labor Government must move from facilitator to guarantor of affordable housing because it is legally empowered and publicly expected to do so. This move would have significant generational socio-economic benefits.

Additionally, while there is a focus on affordability, consideration of housing adequacy is absent in the uplift framework. While there are some implied housing adequacy features such as location-based delivery, long-term management requirements and structure plan integration (well serviced, connected, mixed use outcomes), these are consequential to the study area locations identified in the HNAs rather than application through deliberate planning policy. Any adequacy outcomes derived from the proposed controls will depend entirely on whether or not voluntary outcomes are activated, and how registered agencies proceed to be implemented, which again further decreases the merit and viability.

Consideration | Floor Area Ratio (FAR) Uplift: the SRL East voluntary public benefit uplift framework

Whilst a floor space area scheme is a common planning control used to set density ratios, SRLA is proposing a bespoke

FAR. This framework establishes a mandatory base FAR for development within designated areas of the SRL East precincts, and makes provisions for an 'opt-in' to the voluntary scheme, agreeing to provide a nominated public benefit – such as affordable housing, public realm improvements, or strategic land uses – in exchange for permission to build additional floor area beyond the base FAR¹⁸. This methodology requires testing, as the apparent complexity could act as a barrier to the market, and therefore increase transaction costs, delay applications, and as a result not achieve the target density and or social benefits targeted. Further economic analysis on the viability of the 50% on GFA value must be done given current and anticipated market conditions and land costs. Additionally, the same Technical Report acknowledges that the Uplift Framework may not readily enable uplift contributions on smaller sites (under 1,000m²) and implicitly encourages site consolidation. While site consolidation can support more efficient development, relying on it to trigger affordable housing contributions means that significant portions of the precincts comprised of smaller, fragmented land parcels may see little or no affordable housing delivered through this mechanism.

Consideration | Development Facilitation Program (DFP)

The alternate voluntary mechanism is the statewide Development Facilitation Program (DFP), which was recently expanded as part of the '*Victoria's Housing Statement*'. This program offers a streamlined planning approval pathway which is aimed to reduce approval times for eligible significant projects.

The development financial threshold of the DFP, which is currently set at \$50 million, means that it is only available to a limited number of very large-scale developments.

This program will not assist in the facilitation of affordable housing in smaller infill sites in

the same manner as a mandatory IZ requirement would. Consequently, the direct impact of the DFP on overall affordable housing delivery across the SRL East corridor will likely be confined to a few major sites, further adding to the significant shortfall of affordable housing.

04

Leveraging Social Value Investment: Value capture and public benefit

Critique of the voluntary approach

The reliance on the voluntary FAR uplift framework and the DFP as the primary mechanisms for securing affordable housing in the SRL East draft Structure Plans presents significant risks and limitations. Both rely on the developer market to nominate their participation based on market conditions, project feasibility and a growing reliance on further government subsidies. This approach is particularly inadequate when considering the principles of ‘planning gain’ or ‘value capture’. The 2021 Business and Investment Case (BIC) provided the foundational justification for the investment in SRL East and North¹⁹, and critically it highlighted the need for affordable housing including rental and home ownership outcomes through ‘greater housing choice’. The BIC also discussed in detail the anticipated socio-economic benefits of the same.

The lack of recognition and interrogation in the BIC and the subsequent Structure Planning by SRLA to consider the implementation of a mandatory affordable housing requirement through IZ provisions is a critical exclusion. As a result, it has substantially diminished the economic

benefits to the individual, community and the state for the provision of adequate affordable housing outcomes as well as a meaningful response to tackling the housing affordability crisis.

Recommendation:

Design a Robust IZ Framework: Define the IZ mechanism clearly within planning controls, specifying contribution basis, income targets aligned with State definitions, long-term affordability durations (affordable purchase/ 30+ years/perpetuity), prioritising on-site delivery, setting carefully calculated contribution scheme for delivery of Affordable Housing within the respective Council that also links to the Floor Space Area Uplift scheme provisions.

Value capture, and the importance of Inclusionary Zoning

The substantial public expenditure on SRL East creates a strong societal and economic justification for implementing mechanisms that capture a portion of the resulting land value uplift specifically for affordable

housing delivery. Unlike typical market-led development, the increased value achieved in SRL precincts through the broader outcomes of the Structure Plans and zoning outcomes is directly attributable to taxpayer-funded infrastructure, strengthening the case for mandating affordable housing contributions.

Implementation of a mandatory IZ policy for the delivery of affordable housing within the SRL East precincts is a justifiable form of value capture and has the ability to ensure that a proportion of the publicly generated value uplift is returned for social benefit.

Integrating IZ within the broader contributions framework

Mandatory IZ should be implemented as the specific tool for securing affordable housing contributions, leveraging the residential value uplift. It should operate alongside, and not be substitutable for, other appropriate contribution mechanisms designed to fund different types of infrastructure based on the impact of development, such as Development Contribution Plans (DCPs), Specific Charges and Levies, and direct government investment. As compared to voluntary mechanisms, which allow for developers to ‘trade-off’ their affordable housing requirements against other contributions such as open space and public realm improvements, which risks essential housing needs remaining unmet, a well-structured mandatory IZ framework secures the contribution and delivery from the point of project commencement.

Clarity and coordination between different contribution mechanisms are essential to ensure fairness and maintain development feasibility. The cumulative impact of mandatory IZ, DCPs, state taxes (like the Windfall Gains Tax, where applicable), and

other charges needs careful consideration. However, the principle remains that the significant value creation and development impact associated with SRL East necessitates contributions towards both affordable housing and essential supporting infrastructure, secured through appropriate, clearly defined, and preferably mandatory mechanisms.

Recommendation:

Set Evidence-Based Contribution

Requirement: Establish precinct-specific mandatory IZ contribution requirements that are informed by the SRLA's own Housing Needs Assessments. These targets should aim for contributions reflecting the identified need, that deliver a diverse range of Affordable Housing forms and tenures that will serve to address housing adequacy and significantly exceed outcomes typically achieved through voluntary schemes.

Addressing the feasibility concerns of mandatory IZ policies

A common concern raised by the development industry regarding mandatory affordable housing requirements is the potential negative impact on project feasibility and overall housing supply²⁰. Evidence however counters this position as does economic analysis which suggest that well-designed IZ policies can be implemented without unduly hindering development, particularly in areas undergoing significant value uplift like the SRL East precincts.

A crucial factor is that the 'cost' of mandatory IZ is not solely borne by the developer's profit margin or passed onto market-rate buyers. When IZ requirements are clearly signalled, mandatory, and consistently applied, the anticipated cost of the affordable housing contribution is typically factored into the price developers are willing to pay for land²¹ The land market adjusts, and a significant portion of the cost is effectively borne by the landowner at the point of sale, reflecting the encumbrance on the land's development potential. This effect is strongest in buoyant markets where underlying demand is high, a condition expected around new SRL stations.

Supporting analysis demonstrates how mandatory IZ policies can work alongside

density bonuses, as well as the provision of other offsets such as carpark ratios, streamlined approvals and fee waivers.

Recommendation:

Resource Effective Administration:

Allocate sufficient resources to **Homes Victoria, SRLA, and relevant Local Councils** to effectively administer, monitor, and enforce the mandatory IZ policy across the SRL East precincts, including facilitating partnerships with industry, Community Housing Providers, and social value investors.

Conclusions and recommendations

The SRL East project presents a landmark opportunity to reshape Melbourne's urban structure, enhance connectivity, and stimulate economic activity. It is critical for the Allan Labor Government to realise that the full potential of this generational investment requires a deliberate and robust approach to ensuring equitable outcomes, particularly regarding housing affordability.

The evidence presented in this submission clearly demonstrates a significant and geographically varied need for affordable housing in both rental and home ownership tenure forms across the six SRL East precincts, a need quantified by the SRLA's own assessments.

The proposed reliance on a voluntary public benefit uplift framework to deliver this required affordable housing is fundamentally inadequate. Its optional nature, the competition with other public benefits, and the historical underperformance of voluntary schemes mean that it cannot provide the certainty or scale of delivery necessary to meet the critical shortage of affordable housing. This approach risks perpetuating housing stress and locking lower-income households out of the significant opportunities created by the SRL investment.

The Allan Labor Government has clear policy objectives and legislative responsibilities to facilitate affordable housing, further strengthened by the moral imperative arising from the value uplift generated by its own infrastructure spending. Mandatory IZ policies offers a proven, effective, and fair mechanism to capture a portion of this value uplift and translate it into tangible affordable housing outcomes. When designed carefully with appropriate offsets, such as the density bonuses already contemplated for SRL East, mandatory IZ is economically feasible and provides the certainty valued by the development sector. It ensures that affordable housing of all tenure types is integrated into new communities, fostering social inclusion and supporting the diverse workforce essential for the precincts' economic vitality.

Recommendation:

Embed mandatory IZ provisions in Statutory Planning Controls: Integrate these mandatory IZ requirements directly within the statutory planning controls for each precinct, primarily through the schedules to the **Precinct Zone (PRZ)**.

The delivery of affordable housing should be viewed not as a burden, but as an investment in essential social infrastructure that yields substantial long-term economic and social benefits for the state, complementing the transport and economic development goals of the SRL project.

Therefore, Bower Insights strongly recommends that the SRLA and the Allan Labor Government seize this critical, time-limited opportunity to embed housing adequacy within the SRL East planning framework by adopting the following recommendations:

1. **Affordable Housing includes rental and home ownership models:** Amend to clarify that measures within both the IZ policies proposed in this submission, and the voluntary mechanism already proposed in the SRL East Draft Structure Plans to allow for provision of affordable housing as both rental and home ownership recognising that this is more accurately aligned to the Act.
2. **Adopt Mandatory Inclusionary Zoning:** Formally adopt and implement a **mandatory Inclusionary Zoning (IZ) policy** for all new residential and mixed-use developments exceeding a defined threshold for the provision of Affordable Housing within the six designated SRL East Structure Plan precincts (Cheltenham, Clayton, Monash, Glen Waverley, Burwood, Box Hill).
3. **Set Evidence-Based Contribution Requirement:** Establish precinct-specific mandatory IZ contribution requirements that are informed by

the SRLA's own Housing Needs Assessments. These targets should aim for contributions reflecting the identified need, that deliver a diverse range of Affordable Housing forms and tenures that will serve to address housing adequacy and significantly exceed outcomes typically achieved through voluntary schemes.

4. **Embed mandatory IZ provisions in Statutory Planning Controls:** Integrate these mandatory IZ requirements directly within the statutory planning controls for each precinct, primarily through the schedules to the **Precinct Zone (PRZ)**.
5. **Define Affordability Targets and Duration:** Ensure the Affordable Housing contributions cater to the needs of **very low, low, and moderate-income households**, with mechanisms to ensure a portion addresses housing adequacy across the continuum). Utilise appropriate measures to guarantee long term affordability based on housing tenure.
6. **Address the Right to Housing Adequacy:** Ensure that the planning controls provide for and address the Right to Housing Adequacy, beyond the singular consideration of housing affordability. That measures and considerations are provided for (as relevant) to address security of tenure, availability of services, habitability, accessibility, location, cultural adequacy *and* affordability.
7. **Design a Robust IZ Framework:** Define the IZ mechanism clearly

within planning controls, specifying contribution basis, income targets aligned with State definitions, long-term affordability durations (affordable purchase/ 30+ years/perpetuity), prioritising on-site delivery, setting carefully calculated contribution scheme for delivery of Affordable Housing within the respective Council that also links to the Floor Space Area Uplift scheme provisions.

8. Resource Effective

Administration: Allocate sufficient resources to **Homes Victoria, SRLA, and relevant Local Councils** to effectively administer, monitor, and enforce the mandatory IZ policy across the SRL East precincts, including facilitating partnerships

with industry, Community Housing Providers, and social value investors.

Bower Insights seeks leave to appear to the Planning Committee to further present and discuss the findings and recommendations of this submission.

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