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68 Commercial Road, Footscray 3011

phone 0452260955

Email kate@adoutcomes.com.au

affordabledevelopmentoutcomes.com.au

abn 56969019423

TO: Renato Calandro, Executive Director, Lennox Co. Pty Ltd
RE: Affordable Housing Contribution, 188 – 202 Swan Street, Cremorne
CC: Vaughan Connor, Contour Consultants, vconnor@contour.net.au

Thank you for engaging Affordable Development Outcomes to support the development of an application for a permit to provide for the development of **188 - 202 Swan Street, Cremorne ('the Site')** through the State Government's Development Facilitation Program ('DFP').

This letter sets out our initial assessment of affordable housing need in the City of Yarra. The evidence supports the consideration of an affordable housing response, and the subsequent permit application under Clause 53.23 of the *Victorian Planning and Environment Act 1987* ('the Act') and assessment of the application by the DFP.

We will work with Lennox Co. Pty Ltd ('Lennox') on behalf of the project applicant, 188 Swan Street Holdings Pty Ltd, to confirm an appropriate response and contribution with reference to options set out by DFP, culminating in a report to form part of the full permit application. At the point of pre-application, it is understood that Lennox proposes a monetary contribution to the Social Housing Growth Fund (SHGF) valued at three per cent of Development Cost as defined by DFP.

State Planning Context and Support

There are strong State and Local Government planning, housing and strategic policy support for an increase in affordable housing in the City of Yarra.

The Act includes an objective of planning "*to facilitate the provision of affordable housing in Victoria*" with a definition of affordable housing for planning purposes being "*housing, including social housing that is appropriate for the housing needs of any of the following - very low, -low, - moderate income households.*"

The Victorian Planning Policy Framework incorporates strategies to support a sufficient supply of residential land. Clause 16 includes strategies to improve housing affordability and support affordable housing delivery, including by:

- increasing choice in housing type, tenure and cost to meet the needs of households as they move through life cycle changes and to support diverse communities;
- encouraging a significant proportion of new development to be affordable for households on very low to moderate incomes; and
- increase the supply of well-located affordable housing by facilitating a mix of private, affordable and social housing in suburbs, activity centres and urban renewal precincts.

State Government policy supports a responsible authority and landowner to agree to an affordable housing contribution as part of a planning scheme amendment and/or permit approval. The contribution can be supported by the provision of planning incentives and/or dispensations.

Clause 53.23 provides for assessment of significant residential development that will provide affordable housing. An application must include a report that demonstrates how the affordable housing contribution specified in clause 53.23-4 is intended to be provided if a permit is granted. This must be at least 10 per cent of the total number of dwellings in the proposed development as affordable housing, or an alternative contribution to the satisfaction of the responsible

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authority.

Lennox has advised they will address the objective if the permit is assessed and supported by the DFP.

DFP guidance on potential alternative forms the affordable housing contribution can take include:

- transfer of three per cent dwellings at nil consideration to a registered housing agency or Homes Victoria;
- sale of ten per cent dwellings at a discount to a registered housing agency or Homes Victoria;
- an alternative percentage of dwellings or alternative discount rates may be considered where the total value is equivalent to three per cent of development cost;
- long-term lease of dwellings at a discount to eligible households, with the discount reflective of three per cent of development cost; or
- a cash contribution equal to three per cent of the development cost to be paid into the State's Social Housing Growth Fund (SHGF).

An affordable housing agreement is to be reflected in planning controls, requiring the landowner and responsible authority to enter a Section 173 Agreement providing for an affordable housing contribution as a condition of development.

It is recommended that the strategy and resulting permit condition comprise at least one defined and calculatable delivery model, providing a clear basis for the agreement and delivery.

Local Council Planning and Policy Support

Clause 16.01-2L of the City of Yarra Planning Scheme (Housing affordability) objective is *"to facilitate the provision of affordable housing and social housing (public and affordable community housing), including new social housing and upgrades to existing social housing,"* with strategies including to:

- *"support development that includes a provision of affordable housing within its mix of dwellings;*
- *provide well-designed affordable housing within new development that is integrated with the remainder of the development; and*
- *support development that caters for key workers (employed in the provision of essential services such as in the police, health, emergency or education sectors) within or close to activity centres, health and education precincts."*

Council adopted an 'Affordable Housing Outcomes at Significant Developments' policy in 2019 which provides that for an application over 50 units, it is Council policy to seek requirement (or requirements) to be included in the planning scheme provisions that secure at least 10 per cent of the dwellings as affordable housing, *"which are to be transferred to a registered housing agency, or an alternative arrangement of equal or better benefit, to the satisfaction of Council"*.

Indicators of Affordable Housing Need

The initial assessment indicates a high need for new affordable housing supply in the City of Yarra, justifying planning support and application of an affordable housing contribution under Clause 53.23, with:

- a significant number of very low and low income households that are eligible for social housing, reflected in the Victorian Housing Register ('VHR') waiting list, which comprised 5,461 eligible households as at 30 March 2025 that were eligible for housing assistance and had nominated the Inner Metro East broadband district area (which includes Cremorne) as one of their five preferred areas for housing;
- very low to moderate income single persons in the greatest need of assistance, with 87 per cent of VHR eligible households single person households (4,777 households), for which the State Government deems a one-bedroom dwelling is appropriate;¹
- only 0.7 per cent of all newly entered private rental leases in the March 2025 quarter affordable for very low income households in receipt of Commonwealth benefits – representing 12 dwellings - with no guarantee these

¹ Department of Families, Fairness and Housing (2025) Victorian Housing Register, March 2025

lower priced private rentals are available to lower income households;²

- significant gaps between household income and market rents for with minimum discounts of 15 per cent of market rent required to support moderate income couples, and 25 per cent to support moderate income singles to afford to rent one or two-bedroom units in Cremorne. These discounts would need to increase considerable for very low and low income households;³
- whilst City of Yarra has a higher percentage of social housing compared to other municipalities, the rate relative to total housing supply has dropped from 10 per cent of all dwellings in 2011 to 8.1 per cent in 2021;⁴ and
- estimates by the City of Yarra in 2019 that more than 6,000 Yarra households – representing 15 per cent of households at that time, were in housing stress, spending more than 30 percent of income on mortgage or rent), with 9 per cent of households (3,570) estimated to have an unmet need for affordable housing, requiring dedicated, long-term affordable housing supply.⁵

The Shelter - SGS Economics and Planning Rental Affordability Index highlights this significant affordability challenge facing lower income households that seek to live in Cremorne, illustrated Figure 1 and Figure 2:

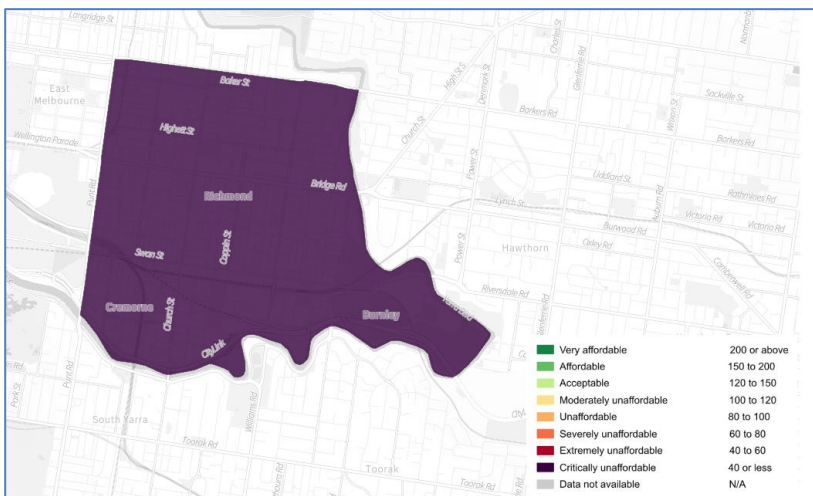


Figure 1 Rental affordability, single person on benefits (\$24,273 p.a.) – ‘Critically unaffordable’

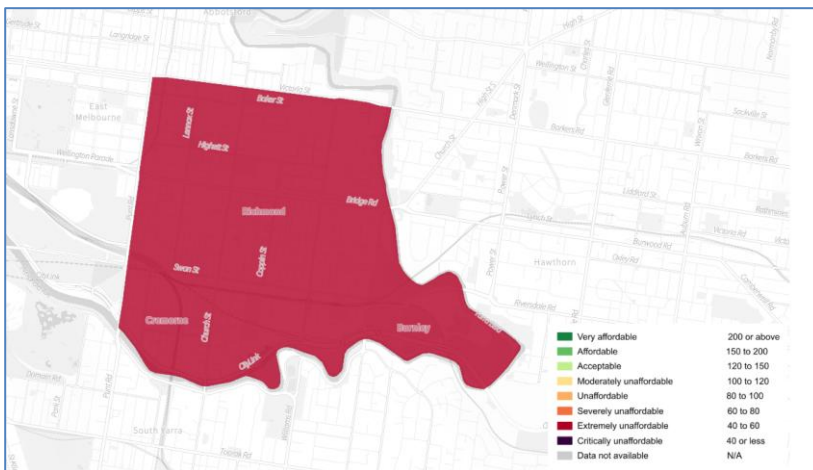


Figure 2: Rental affordability, Pensioner couple (\$62,399 p.a. (2024) – ‘Extremely unaffordable’

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² Department of Families, Fairness and Housing (2025) Rental Report, March 2025 quarter

³ Affordable Development Outcomes (2025) using REIV median rents, quarter 3 median rents – 1BR (\$565 / week), 2BR (\$750 / week)

⁴ Australian Bureau of Statistics, Census 2021, Housing tenure, City of Yarra 2021

⁵ City of Yarra (2019) Social and Affordable Housing Strategy

Affordable Housing Contribution

Determination of an optimal contribution model will be confirmed in the next phase and will take into consideration:

- State and local planning objectives, affordable housing policies and targets, and DFP guidance as to how the affordable housing objective can be realised;
- proposed scheme and dwelling typologies and estimated market values;
- evidence and analysis of local affordable housing demand and household's corresponding housing needs;
- funding and financing environment supporting affordable housing development in Victoria;
- estimated costs of construction and market value of different dwelling sizes;
- housing agency capacity and interest to purchase or manage dwellings;
- the value of a monetary contribution and process to provide if the preferred delivery model; and
- Lennox's consideration of project feasibility.

At the point of pre-application Lennox's preferred option is cash contribution to the SHGF, to be calculated as three per cent of Development Cost and reflecting the option set out by DFP.

The cost plan produced by Napier & Blakeley on 21 November 2025 establishes a total development cost of \$113,822,083. Three per cent equates to \$3,414,662.49.

A report confirming the contribution and proposed permit control will be developed to form part of the full permit application in due course.

I look forward to supporting determination of an appropriate contribution towards addressing affordable housing need in the City of Yarra.

Yours sincerely

Kate Breen

Affordable Development Outcomes

26 March 2026

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