COMMUNITY HOUSING
Industry Association Victoria

Policy Paper

A Tale of Two Cities: the case for mandatory affordable housing in the SRL precincts

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Executive summary

The Suburban Rail Loop will reshape Melbourne, providing a new orbital rail link to connect Melbourne's middle suburbs. It will also generate thousands of new homes around new station precincts. The Draft Structure Plans for the Suburban Rail Loop East (SRLE) precincts outline how these homes will be delivered, and include a critically important objective: to increase the supply of social and affordable housing.

To help meet this objective, the government is proposing a Voluntary Public Benefit Uplift Framework, to incentivise the private sector to deliver key objectives for the sites. One of the public benefits available to developers is delivering affordable housing.

But if the scheme proceeds as designed, very few – if any – affordable homes will be delivered.

This is because a similar scheme in Melbourne, in place since 2016, has not yet delivered **any** affordable homes.

The framework proposed for the SRLE sites is strikingly similar to the Melbourne scheme, and includes affordable housing as one of three options that can be provided in exchange for approval of higher density development.

In contrast, since 1996, parts of the City of Sydney have required that private development makes mandatory contributions to affordable housing, with these becoming citywide in 2020. These contributions have delivered an estimated 1,534 affordable homes – an average of 53 per year. By 2036, it's projected they will deliver a further 1,950 affordable homes – an average of 177 per year.

For the SRLE planning controls to deliver any affordable homes through private sector development, the evidence is clear: affordable housing contributions must be mandatory. This is an opportunity that Victoria cannot afford to miss.

Table 1: Comparison of affordable housing contribution schemes in Melbourne and Sydney

Affordable housing contribution scheme	Mandatory/voluntary	Affordable housing delivery outcomes and projections
City of Sydney	Mandatory	1,534 homes since 1996, with a further 1,950 projected by 2036
Central City Planning Provisions Public Benefit Uplift (Melbourne CBD and Southbank)	Voluntary	0 homes since 2016, out of almost 31,000 new homes approved in that time

The Suburban Rail Loop East Voluntary Public Benefit Uplift Framework

With the release of proposed Draft Structure Plans and Draft Planning Scheme Amendments for the Suburban Rail Loop East (SRLE) stations, the Victorian Government has proposed a Voluntary Public Benefit Uplift Framework (Uplift Framework). This allows developers to build to a higher density than ordinarily allowed, in exchange for providing a public benefit.

Developers can avoid delivering a public benefit if they don't seek to exceed the maximum floor area allowed.

The three categories of public benefit developers can consider in exchange for higher density development are:

- Public Realm Improvements – the contribution of land and/or works to improve public amenity, such as new public open spaces or improved shared pathways.
- Affordable Housing – as defined by the *Planning and Environment Act 1987*,[1] with a range of delivery options.
- Strategic Land Use – the delivery of commercial office space or, in certain areas, space for health/medical services.

The purpose of the Uplift Framework is 'to incentivise the delivery of public benefits that are aligned with the long-term objectives and desired outcomes of the Structure Plans, through private sector development.'[2] The inclusion of affordable housing as one of the public benefit categories is there to help attain the objective, shared across all six Draft Structure Plans, to 'increase the supply of social and affordable housing'.[3]

Social and affordable housing is essential infrastructure that is necessary for sustainable communities. Therefore, it is appropriate that part of the cost to provide it is met through the development process. Other types of essential infrastructure such as roads, open space and community facilities are similarly partly funded by development contributions, which are required at the planning permit application stage.

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[1] 'housing, including social housing, that is appropriate for the housing needs of very low-income households, low income households and/or moderate income households.'

[2] Suburban Rail Loop Authority (2025), 'Suburban Rail Loop East: Voluntary Public Benefit Uplift Framework', p. 5, https://engage.vic.gov.au/download/document/39368

[3] Objective common to all six SRLE station Draft Structure Plans, e.g. Suburban Rail Loop Authority (2025), 'SRL East Draft Structure Plan Box Hill', p. 44, https://bigbuild.vic.gov.au/__data/assets/pdf_file/0019/920260/SRL-East-Draft-Structure-Plan-Box-Hill.pdf

But how likely is it that the voluntary contribution pathways proposed for the SRLE station precincts will deliver a meaningful amount of new affordable housing? To help answer this question, we can look to existing affordable housing contribution schemes across Australia.

Current affordable housing contribution schemes in Sydney and Melbourne

Affordable housing contributions in the City of Sydney

In 1996 the City West affordable housing program was established to require developer contributions to affordable housing in the Ultimo Pyrmont regeneration precinct in Sydney. It was later expanded to include the Green Square area.

Developers must contribute a fixed percentage of total floorspace towards social and affordable housing. They do this by transferring units and/or equivalent cash to City West Housing – a not-for-profit community housing organisation specifically created by the NSW Government to deliver and manage the resulting homes.

As of June 2024, City West Housing had delivered 894 social and affordable housing units, now home to 1,600 people on lower-incomes.[4] They have a further 750 homes in the pipeline.

In 2020 a further contribution requirement scheme came into effect, one that covers the whole City of Sydney. This program superseded the City West affordable housing program and increased contribution rates.

Combined, these schemes have contributed around $400 million to the not-for-profit community housing sector to deliver social and affordable housing.[5] As of June 2024, an estimated 1,534 affordable homes were either built or in planning as a result. By 2036, it's projected a further 1,950 affordable homes will be built.

Affordable Housing contributions in the City of Melbourne

Melbourne has its own version of an affordable housing contribution mechanism: the Central City Public Benefit Uplift (CCPBU) scheme, introduced by the Victorian Government in 2016, and applying to the CBD and Southbank.

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[4] https://citywesthousing.com.au/wp-content/uploads/2024/12/CWH0016-Annual-Report-2024-Web.pdf.
[5] https://meetings.cityofsydney.nsw.gov.au/documents/s89558/Public%20Exhibition%20-%20Planning%20Proposal%20-%20Affordable%20Housing%20Contributions%20Review%20-%20Sydney%20Local%20Envir.pdf.

Under the CCPBU, developers can voluntarily choose to deliver a public benefit and in return be allowed to develop above the allowed floor area to land area ratio of 18:1.

Not only is the provision of a public benefit voluntary, but the provision of affordable housing is just one of four options that developers can use to build at higher density.

The other options are:

- Create public open space and laneways on site;
- Provide office space (as a 'strategic use'); or
- Provide public space in the building.[6]

Since 2016, there have been no section 173 agreements executed to deliver affordable housing through the CCPBU in the City of Melbourne. As these agreements are the practical mechanism that would be used to deliver affordable housing, and are drawn up in the latter stages of a project's approval, we conclude that no affordable housing to date has been built through the central city planning provisions.[7] Where affordable housing has been delivered in this area, it has mainly been through development of council-owned land.

Table 2: comparison between contribution schemes in Sydney and Melbourne

Jurisdiction	Date introduced	Delivery mechanism	Outcomes
City of Sydney	1996	Percentage of developed floorspace required as affordable housing, either in-kind or monetary equivalent. Different rates set for residential and non-residential use. Initially applied in Pyrmont-Ultimo precinct, later extended to Green Square. City-wide requirements introduced in 2020.	$400m contributed to community housing sector. Estimated 1,534 affordable homes built or in planning. Further 1,950 projected by 2036.

[6] https://www.planning.vic.gov.au/guides-and-resources/guides/all-guides/central-city-planning-provisions.
[7] This was obtained through a request to the City of Melbourne for all section 173 agreements that include a reference to affordable housing. A search found no such agreements executed since 2016 in the CBD or Southbank areas to date, excluding two agreements which apply to former council-owned land.The City of Melbourne has advised there are a small number of current applications that seek to use the affordable housing uplift in the CCPBU area, but section 173 agreements have not been executed.

Jurisdiction	Date introduced	Delivery mechanism	Outcomes
City of Melbourne	2016	In the CBD and Southbank developers can voluntarily opt to develop above the prescribed floor area ratio in exchange for delivering a 'public benefit'. 10% of the extra commercial value gained from floor area uplift must contribute to public benefit. Accepted public benefits are public open spaces/laneways, office use, public space in buildings, and affordable housing onsite.	Since 2016, no affordable homes have been executed through section 173 agreements in the areas covered by the CCPBU. Since 2018 (two years after the introduction of the scheme, when it could reasonably be expected to have started delivering outcomes) just under 31,000 total residential units have either been approved, begun, or completed.[8]

The difference between mandatory and voluntary affordable housing contributions

Where Sydney's schemes have built on average 53 affordable homes a year, Melbourne's has built none. The stark difference between these outcomes can be explained by two aspects of Melbourne's scheme: the voluntary nature of the contribution, and the ability to choose a public benefit other than affordable housing.

The reason that a developer would elect to develop at a higher density than allowed is to deliver greater profit.

As such, when considering which public benefit option to provide, they will likely choose those that are most profitable, easiest or least expensive to deliver. All options other than affordable housing under the CCPBU, either provide a commercial return (such as office space) or arguably add value to the development itself (internal or external open spaces and laneways). It's no surprise that these options are favoured over affordable housing.

[8] CHIA Vic analysis of public data available at the City of Melbourne's Development Activity Monitor. Note that approved applications may execute section 173 agreements that include affordable housing through the CCPBU, but as yet no such agreement has been executed.

The City of Melbourne's *Affordable Housing Strategy 2020-2030* identifies advocating to the Victorian Government to review the uplift clause as a priority.[9] It notes that one key concern with the scheme is that many of the other public benefit options (such as commercial space) 'are more financially attractive to developers than affordable housing. As a consequence affordable housing is rarely delivered.'[10]

Making the most of the Suburban Rail Loop East housing boom

CHIA Vic strongly supports the aim of each SRLE Draft Structure Plan to provide more homes and greater housing choice. Unlocking 24,500 new homes by 2041 in the SRLE areas is an important step towards this aim. It is encouraging that the Draft Structure Plans include objectives to increase the supply of social and affordable housing.

However, a voluntary affordable housing contributions mechanism will not achieve this. Just like the CCPBU scheme in Melbourne, providing affordable housing under the SRLE Uplift Framework is not only voluntary, it is one of several options developers can choose. Experience from Melbourne shows developers do not choose to deliver affordable housing.

Even within the affordable housing category, there are a range of delivery options, including transferring units to registered housing agencies or selling them at a 30 per cent discount to market. These choices are not of an equivalent value and thus likely to favour the sale of units, rather than the transfer of title.

The design of the SRLE public benefit initiative is very similar to Melbourne's CCPBU. If the SRLE Uplift Framework proceeds as drafted, we would expect that very few if any affordable homes will be delivered by it.

While increasing social and affordable housing is stated as a clear aim of the SRLE Draft Structure Plans, the Uplift Framework in its current form will fail to deliver that. All evidence shows that the only way to achieve growth in social and affordable housing in new precincts such as these is through mandatory affordable housing requirements.

This is an opportunity that Victoria cannot afford to miss. The SRLE planning process must look to the success of Sydney and make delivering affordable housing mandatory.

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[9] City of Melbourne (2020), 'Affordable Housing Strategy 2020-2030', https://mvga-prod-files.s3.ap-southeast-4.amazonaws.com/public/2024-05/affordable-housing-strategy.pdf, 3.
[10] Ibid., 32.