

Assessment of Policy Impacts on Affordability

The table below is the full analysis of the value of cash-in-lieu allocated to affordable housing vs. creating inclusionary housing units to evaluate which would deliver the most affordable housing the most quickly. The analysis showed that cash contributions would deliver the highest rate of return in the shortest amount of time, while inclusionary housing units would have a more moderate impact:

Impacts	Victoria Housing Reserve Fund		Inclusionary Housing Units	
Amount of time until affordable units are occupied	Applicants may apply at any stage and may built units in 1 to 7 years. Developers pay contributions at building permit, so sustained VHRF balances is important fund's impact.	1 to 7 years	Development cycle may take 3 to 7 years. 2 to 4 years, drafting application to Council decision, and 1 to 3 years from construction to occupancy	3 to 7 years
Amount of units created	A \$200,000 contribution to the Victoria Housing Reserve Fund could support a range of 6 to 20 units in total depending on bedroom sizes.	6 to 20 units	A \$200,000 contribution may be able to support the creation of one inclusionary housing unit, depending on market fluctuations.	1 unit
Percentage of Municipal Contribution	An average, 3-5% of the total development costs.	3-5% of the total costs	100% of the CAC to creating inclusionary housing units.	100% of CAC
Number of partners	Leveraged by senior government funding and equity from non-profit organisation.	Many partners	Encourages non-profit partners and aligns with senior government funding.	Some partners
Level of Affordability	Achieves a range of affordability, including units with deep subsidy and mixed income projects.	Very low to moderate	Dependent upon market conditions, and is limited to low to moderate-incomes.	Low to moderate
Risk & Dependencies	Established practice, with reputable housing developers. City taking on low legal risk.	Low Risk	Involves complex rezoning negotiations and legal agreements, with ongoing monitoring requirements.	Medium Risk
Dependencies	The fund contributes to new affordable housing development that relies on senior government funding.	High	Market changes impact outcomes. Not reliant on senior government support, but can improve outcomes.	Medium
Resources (Time & Cost)	Limited amounts of staff time that is accounted for in operational budgets.	Limited	High administration demands. May delay development approvals.	High
TOTAL	Achieves high level of impacts on affordability	High	Achieves medium level impacts on affordability	Medium

Despite this analysis, there remain some benefits to requiring on-site affordable housing units in some circumstances, in order to empower municipalities to create affordable housing in the absence of government funding (should current investment cease), and to create affordability and a mix of tenures within buildings and in areas of the city with high land values.