



Grounded

Engage Planning Submission

Contents

[About Grounded](#)

[Community Land Trusts as best practice shared equity](#)

[Separation of land from improvements](#)

[Community led exception sites](#)

[Property Options Registry](#)

[Adding resilience to regional towns by supporting Airbnb cap n trade system](#)

[Local Planning Champion Scholarship](#)

[Reforming Section 173 process](#)

[Mandatory Inclusion](#)

[Planning Flexibility](#)

Grounded Community Land Trust Advocacy welcomes the opportunity to submit to this important inquiry.

[About Grounded](#)

Grounded Community Land Trust Advocacy is an NGO established to advocate, incubate and accelerate the development of Community Land Trusts in Australia. Grounded is committed to safeguarding land and housing for future generations.

Our Advocacy

We are living in a society where two million property investors have control of both the housing market and the politics surrounding it. Meanwhile, the impacts of climate change and environmental breakdown ravage more and more communities across the country. Australians are growing increasingly aware of the importance of building and sustaining strong and resilient communities that prioritise fairness, equity, and responsible land stewardship.



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We want to ensure that a diverse mix of housing models is possible in Australia. We urgently need a citizen-led response to the hollowing out of our fundamental human right to a home.

Community Land Trusts (CLTs) offer a much-needed alternative to the broken buy/rent duopoly through the delivery of an affordable and scalable housing model.

Indigenous Acknowledgement

Grounded acknowledges and pays our respects to all 500 First Nations throughout this land and honour the stewardship demonstrated over 60,000+ years. We acknowledge that sovereignty was never ceded.

[Introduction](#)

The big ideas for [shaping Victoria's future](#) include:

- More homes in locations with great public transport access
- More housing options for all Victorians, including social and affordable homes
- More jobs and opportunities closer to where you live
- More options for how we move from place to place
- More certainty and guidance on how places will change over time
- More trees and urban greening in our parks and community space

We advocate for planning oriented policies that support the growing ecosystem of for-purpose development to 'deliver more housing options'. Now we explain why government should support this emergent form of development.



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[Community Land Trusts as best practice shared equity](#)

CLTs reflect a best practice as they enable public subsidy to be captured within a closed loop system. This lasts into the future under the perpetual affordability tools inherent in the model. That means **multiple generations** can benefit from the efforts of the founders.

Not only does the system value capture public subsidy, but it captures community created land rents for the public good. The rising value of location, location can be shared back with the CLT to pay down project debts and in time, with a carefully worded constitution, **expand the base of affordable housing.**

Alongside **prioritising housing for locals** or those with a work connection to the area, the combination of these advantages infers that such a system is a powerful tool for governments groaning under the weight of housing the community.

The shared equity component means that residents fund the improvements, and the Trust the land and trunk infrastructure. If government grants can be accessed for the infrastructure, the project's potential can be maximised to provide independent affordable housing.

As an important housing option for Victorians, the CLT model sees the resident only having to borrow for the improvements. This reduces the **deposit gap by 60%**.

A leasehold is paid on the land, which slowly increases over time according to wage growth. Annual land valuations by the Valuer General make this easier to match the market. At the completion of the resident's tenure, they pay an exit fee based on a clearly defined share of the capital gains. This is tempered by a resale formula that ensures the sale price is no greater than 30% of the median wage earners capacity. The combination of these three levers is what we call **an 'affordability lock'**.

We are currently working with a number of landholders, councils, communities and churches to bring this model to Victoria. Read more about their economic, social and environmental benefits [here](#).



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Quality Supply

Much of the housing orientated planning debate surrounds the *quantum* of supply delivered. As former Minister of Planning Matthew Guy (2010-2014) showed us with the redesign of Melbourne's skyline, it really doesn't matter how much supply is delivered - if market power is left unchecked.

Prices still increased despite the most rigorous supply intervention in the state's history. Apartment prices increased 7.1% during his period of tenure, with prices up 25.8% by 2019.¹

Similarly, debates around the effectiveness of handing **unchecked market power to developers** continues with the Auckland myth. The evidence is inconclusive that upzoning increases housing construction.²

We would like to bring to your attention the importance of 'quality' supply. Quality in this case is delivered by its long term affordability. The use of house pricing at a 75% median is not adequate as an affordability threshold. Recently proposed Federal legislation such as Build to Rent suggests this. A typical renter earning \$60,000 in the CBD will struggle to pay a rent of \$472 pw. That's \$24,570 annually at 41% of their income.

Quality supply needs to be prioritised via for-purpose housing, often driven by community-led housing. Government needs to support a new ecosystem of development that locks in long term affordability. For-purpose entities can incorporate long term affordability tools that the State cannot enact due to **political sensitivities**.

Quality plus availability is key.

Those who advocate for quantity, for unlimited supply are typically known as YIMBY's. They need to recognise the risk market power has for their advocacy platform. Those who recognise this should gravitate towards the more nuanced acronym **YIMBY-WUMPs**.

These are YIMBYs **Who Understand Market Power!**

¹ Valuer General, Guide to Property Values 2019, p36

² C Murray, [The Auckland Rezoning Myth - There is No Evidence](#), June 2023



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Civic minded advocates who respect the deeper analysis of [how supply is teased out to maximise price](#) must also be included in policy design work to cover all perspectives. Such a position has the potential to embed predistributionist policy that **reduces downstream costs**.

If we look at a regional development such as Hygge's Middleton in Daylesford, the developers engaged in negotiation with council for the rezoning of 100+ lots. The outcome was a form of voluntary inclusion that saw them propose to hand over four one bedroom homes with no carport or eaves, minimising their commitment to affordability. The remaining 100 odd lots will be sold from a starter price of \$750,000, something few locals can afford.

The typical development model would see these 100 homes fed to the market over 10 - 20 years. Supply would accelerate when times are good, and be constrained when the market softens.

This occurs because the **developer's lender is discouraging them** from pushing prices down, as this would incur a potential margin call on falling land prices. Further fiduciary responsibilities to shareholders and the CEO's own self interest via stock option bonuses compound the fallacy.

For some reason politicians **do not believe these fiduciary duties exist**.

They set policy as if genuine competition exists. Further compounding the fallacy is the use of algorithms that quickly flash red when auction clearance rates, days on market or access to credit start to wane. But yet this is the dominant policy paradigm.

Compare this to a CLT of 40 homes, where all dwellings are set to deliver on affordability - not just now for this resident, but **for decades to come**. To get to 40 affordable homes via the typical development model as presented above (100 homes for 4 inclusionary affordable homes), we would need 100s of acres of rezoning to produce that many affordable homes. Additionally, it may take a decade or more for those 40 affordable homes to come to fruition. And what about the impact on sprawl, the climate?

Compounding our concerns on the supply mantra is that our recent research³ suggests that a number of these homes **may go straight towards Airbnb**, particularly in tourism hotspots, further exacerbating local housing shortages.

³ K Fitzgerald, [Airbnb - From a housing problem to a solution](#), Grounded CLT Advocacy, June 2024



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Once the Community Land Trust is approved, it would be well suited to deliver not only 40 out of 40 affordable homes, but to do this within a few years. Locals are prioritised, **in particular key and essential workers**. All dwellings must be permanently occupied and cannot be sublet without the Trust's approval.

Communities find agency to work together to help address society's biggest problem - how to house people. With governance managed by people with a local connection, supply and the accompanying build quality becomes locally accountable.

Separation of land from improvements

In terms of Big Ideas for Victoria, this submission process calls for more housing options for all Victorians. With the price of land escalating at levels previously unseen, we are keen to see greater flexibility and certainty in the ability to separate land from improvements.

This is particularly important as the number and variance of shared equity models continue to surge forward as society finds innovative ways to address the 20 year housing crisis.

At present the Caravan Park Act is the most likely mechanism for flexibility. Part 4A allows a Site Tenant to lease the land but own a moveable dwelling.

The 2021 updates to the RTA made some positive steps forward. Feedback via submissions saw a number of calls for Rental Villages and Residential Parks to be regulated under separate legislation.⁴ Other states have such focused legislation. If so, we would expect the same resident protections to be carried over.

Also noted is **the state's Ground Lease model**, which provides confidence for Community Housing Providers to separate land from improvements in social and affordable housing.

The **logical progression** is to allow for community focused groups and smaller NFPs who may not be registered Community Housing Providers to also be granted such confidence via legislation.

We recommend legislative amendments to the Planning and Environment Act 1987 to include NFPs not registered as Community Housing Providers, to innovate and develop affordable

⁴ Consumer Affairs, [Fairer Safer Housing, issues Paper - Rights and Responsibilities](#), 2021



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housing solutions. This will directly contribute to the Victorian Government's target of 12,000 new social and affordable homes by 2025.

Further, we request that the Victorian Government amend the Residential Tenancies Act 1997 to **facilitate the separation of land and housing ownership**, enabling permanent homes to be located on leased land managed by community-led housing organisations. This will give greater certainty to shared equity models such as Community Land Trusts.

Recognition that the sale of improvements gives **automatic access rights to the site** attached to it should be clarified and confirmed, as long as the new resident meets the entry conditions of the site manager.

The fixed five-year term for minimum land lease periods should be removed to suit the flexibility of shared equity models. One of the big advantages of the model is that residents can enjoy a much lower deposit requirement. Security of tenure alongside **the affordability dividend** of living in such a residential park may see some residents wish to move back to the traditional ownership structure following well paid work. We don't believe any such impediments are required. Government should be making it as easy as possible for residents to move in and out of such arrangements.

This reform will support the growing ecosystem of community groups coming together to address the pressure that ineffective tax incentives have delivered. Local organisations are well positioned to understand community needs and have the capacity to **move quickly** to address problems at source.

[Community led exception sites](#)

These sites represent partnerships where a community has built a strong relationship with a farmer or brownfield landholder who is eager to contribute to their community by donating land for perpetually affordable housing.

This concept exists in the UK and is also known as a "rural exception site". A farmer concerned about the viability of their local town - often impacted by the rapid growth of Short Term Rental (STRs) like Airbnb - choose to reject offers from profit-driven developers to sign a property option.



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Instead, they opt to support their community by providing land for affordable housing to prioritise long-term community wellbeing over financial gain.

The motivation behind this public good should be recognised by state and council with a [Rural Exception status](#) for rezoning. The UK has allowed such rezonings since 1991, and this year included a formal definition in their National Planning Charter.

Learnings since the 90s sees a call for guidance on pricing. Professor of Housing & Planning at University College London, Nick Gallient writes:

Our research has shown that the land price that typically supports affordability on rural exception sites is £10,000 per plot. Assuming a valuation density of 35 dwellings per hectare, this figure is far higher than agricultural value (£600 for a similarly-sized plot), but far lower than full residential value (£150,000, say, in South Cambridgeshire).⁵

Such a price advisory produced by the Valuer General may assist negotiations.

In the best case scenario, a farmer may be willing to donate the land with no strings attached. A second scenario could see a landholder on the edge of a town border offer a land donation as a **payment in-kind for a Windfall Gains Tax** fee. Land would be offered to a CLT as part of an inclusionary zoning application. The community would receive access to land, the landholder the right to develop the remainder of the site and government could deliver more affordable housing with **minimal budget outlay**.

The public interest outcome of long term affordability should see any of these sites streamlined through the planning process to move from FZ/ RLZ to GR.

Rural exception sites are a **cunning technique** to work around the market power that property options maintain.

[Property options registry](#)

⁵ Professor N Gallient, [England's rural housing crisis could be solved by fixing land prices and in some ways and because we're in the time where people are like there was a house people everyone knows, bringing land into public ownership](#). The Conversation, March 2024.



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We propose that a **property option registry** be developed. For too long the Victorian public have faced opaque barriers to understanding what options have been signed and the profits that result. NSW has had such a registry in operation since 1997.⁶ A property option registry makes a logical accompaniment to the Windfall Gains Tax.

Such a registry could help government understand the level at which speculative middlemen pass on significant pricing pressure to genuine developers.

[Airbnb cap n trade system](#)

Support from planning legislation is urgently needed to address the growth of AirBNB investors overlooking their neighbours' backyard. It is in effect a form of **de facto rezoning** that has occurred rapidly and without adequate protection of residential norms.

With the government's news this week that the 7.5% STR has cross-bench support, the levy diminishes this section. However, we include it as a seed starter for the next and more effective layer of action on STRs that will be required in the near future.

We believe the 7.5% levy will be **passed on to tourists**, providing little deterrence to the growth of STRs in regional areas where little competition exists with hotels. We do agree with the body corporate and council regulatory powers as they lay the foundation for the cap n trade system. But will councils be willing to enact 90 day caps that **render even productive STR operators uneconomic?**

The cap n trade system only penalises the poorly utilised STRs, allowing the operators who attract tourists **to continue unabated** - as long as they are willing to fund perpetually affordable housing by buying an STR licence.

STR listings are growing at [6% p.a in Greater Melbourne](#). With Victorian's owning twice the number of holiday homes as other states, the pressure on regional communities is intensifying. Adding to this is the income disparity between the cities and regions, inferring that regional locals will not be able to **compete with city based investors**. How many holiday homes are too many?

⁶ Revenue NSW, [Change in Beneficial Ownership](#).



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The growth of Airbnb listings and their significant rental premium suggest this issue will continue over time, becoming a structural issue. Our research revealed in the [Airbnb: From a housing problem to solution report](#) that STR investors earned 81% more than long term rental investors. The returns were so significant that the move towards STRs saw **the equivalent of 74% of new housing supply heading towards** this burgeoning industry.

Grounded advocates that a cap 'n trade system be adopted. This requires a new form of licensing for STRs. Whilst no change in zoning is required, Planning's advice on how the licences are developed would be useful.

At present three cohorts of licences are required:

- Licence A - new dwelling supply
- Licence B - existing dwelling
- Licence C - tiny home

We recommend that License B has a premium attached to it, to deter STR investors from absorbing too many existing dwellings.

We will be watching to see how the new levy goes in affecting STR listings, and whether this **assists long term rental outcomes.**

[Local Planning Champion Scholarship](#)

The pressure on local councils is accentuated through planning staff turnover. Auditor General Andrew Greaves recently released findings that 18% of council staff turnover, up from 14% pre-pandemic.⁷ The Australian Human Resources Institute finds this [costs approximately 1.5 times the staffers](#) annual salary in total costs.

This is a significant factor affecting housing approvals. Professionals who fly in with the intent of an 18 month resume padding agenda do little to support councils navigating accelerated development pressures. Alongside the loss of knowledge, the lack of local history impacts on intelligent planning outcomes.

⁷ J Skatsoo, [Staff Turnover at Vic Councils still higher than pre-pandemic](#), Government News, March '24.



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Government should consider a scholarship process for a committed local with a passion for planning issues. The individual should be funded to complete the appropriate qualifications in return for a guaranteed role at local council, if certain performance outcomes are met.

This will incentivise a solid citizen with a likely long-term commitment to become the backbone of the council Planning department. Council will save from the related lower turnover and the accompanying economic and efficiency losses.

Such a program will assist 'more jobs and opportunities closer to where you live', and help ground the thinking of council so that there is 'more certainty and guidance on how places will change over time' due to deeper connections between at least this staff member and the community. Is it preferable to also see the CEO with some local connection?

[Reforming Section 173 process](#)

The current Section 173 process can be onerous for ethical landholders who wish to contribute to affordable housing, often involving extensive paperwork with limited direct benefits. We propose a simplified Section 173 process for projects that guarantee long-term affordability, reducing administrative burdens and **providing fast-tracked approvals** for ethical landholders.

Section 173s can detrimentally alter land value, placing further difficulty on the financial feasibility of already challenging ethical developments. Streamlined processes lead to greater confidence in lending and lower administration and holding costs, allowing for all forms of ethical and affordable housing developments to expedite delivery.

[Mandatory Inclusion](#)

We support the introduction of a clear mandatory inclusion policy for all new development and rezoning. In such a case, any emerging **Mandatory Inclusion policy**, needs to have strict affordability locks embedded into the program. It is no longer enough for affordable outcomes to be limited to **just one purchaser**. Affordability should be maintained over the long term and include a multiple of 30% income as a determinant. With the housing market **failing even middle income earners**, income thresholds should be increased to the bottom 60% of median incomes.



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The pressure on developers **to maximise profits** results in affordable housing projects regularly receiving the worst located land in a development. It is incumbent that government ensures that those with the highest social (and often political) need are not forced to accept the worst location due to their desperation. We recommend that within any mandatory inclusionary policy, community need and development outcomes must be determined through collaborative consultation with the affected community, CHPs, and the local government.

Planning Flexibility

Planning flexibility in regard to rural subdivisions must also be considered. Why do planning laws support large landholders wanting to subdivide, whilst deterring smaller, perhaps more ethically minded landholders? We propose that the subdivision laws be amended to support small and medium sized landholders that sign a Section 173 planning amendment that includes an affordability lock to deliver perpetual affordability.

We respect the positive moves to enable seasonal farm workers on large farms with the amendments to the rural worker on-farm accommodation.⁸ However, in a market with such **tight vacancies, the seasonal aspect** should be loosened under certain circumstances.

Long term, permanently affordable housing should be encouraged on 20 acre lots. This would provide flexibility for **affordable farm pods** to be permissible on Victorian FZ land. With so many sites held by property insiders that are land banking for personal gain, locals are locked out of affordable housing options. Allowing this flexibility within the FZ is a way to sidestep market power.

We understand this is difficult, but how else do we avoid the power that land bankers hold? Improvements to the Vacant Residential Land Tax will undercut some market power, but will take time to shake out the imbalance between genuine builders and those with deep pockets looking to make speculative gains.

A greater balance between the preference for regional hobby farms over **affordable farm land** should be investigated with the potential for local councils to allow Rural Exception Sites.

⁸ Min for Agriculture M Thomas, [New Farm Accommodation Boost](#), Victorian Government, 2021.



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We ask - why are **depressed horses** prioritised over localised food production and the affordable farm pods needed to house long term workers? This is particularly so in regions where land has become degraded through introduced species, requiring more labour.

Ecological restoration and affordable settlement supported by a nature-based bioregional economy are essential pathways forward for effective land use management.

Affordable dwelling pods of between 3 to 10 homes should be encouraged to ensure farm based labour has a long term commitment to the land. More 'eyes to the acre' are needed to enhance the productivity of land without large chemical inputs. Regenerative principles allow small scale farming to be more productive. This includes a growing number of farming collectives and cooperatives where multiple small farms are colocated and infrastructures shared.

This would encourage 'more jobs and opportunities closer to where you live.'

With **greater off-grid capacity** provided by solar, water and septic technology, the strains on local council resources have reduced. This could enable greater food security with affordable farm pods helping to reinvigorate the demographic potential of regions.

Such planning permissions could be limited to a few kilometres from an arterial road, limiting road works. Council rating revenue would increase and housing could be provided without rentier middlemen extracting their toll. A shared electric vehicle could be another planning requirement to encourage more efficient use of resources.

Innovative thinking could require such households to commit to carbon sequestration practices such as biochar production or tree plantings to offset the effects of such sprawl.

By encouraging more small scale farming, we will enable the necessary demographic change that our ageing farming community requires. We are currently working with farmers who do not have a succession plan in place, and are looking for neighbouring young farmers to share their incredible knowledge base with.



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Conclusion

With the Big House Build cost averaging some \$500,000 per dwelling only, government needs to find a way that delivers long term affordability that can scale. CLTs offer that potential with minimal government cost.

We hope the Allan government can continue to inoculate the strong for-purpose ecosystem surrounding the Ground lease model, the AHIP (Affordable Housing Investment Partnership) fund and mooted reforms to the Residential Parks legislation.