



1 Purpose

Economic Development Queensland (EDQ) is seeking feedback on the policy intent for the *Economic Development (Affordable housing) Amendment Regulation 2024* (the Amendment Regulation).

The purpose of the proposed Amendment Regulation is to amend the *Economic Development Regulation 2023* (the Regulation) to incorporate criteria for affordable housing as it will apply to the *Economic Development Act 2012* (ED Act) subject to the *Economic Development and Other Legislation Amendment Bill 2024* (the Bill) coming into force. Affordable housing is defined in the Bill as ‘housing that is affordable to particular types of households under criteria prescribed by regulation for the particular type of household.’

This document provides the policy intent that will support the drafting of the criteria for affordable housing in the Amendment Regulation (Table 1) as well as background on the policy hierarchy governing the provision of affordable housing under the ED Act (sections 2, 3 and 4).

2 Context

Queensland’s housing system is comprised of a variety of dwelling types, tenures, and ownership structures. Broadly the system can be split into two categories; non-market housing and market housing.

Non-market housing is housing that is sold or rented at less than its market value or market rent. To maintain affordability, governance rules are required to regulate who has access to the housing and how affordability will be maintained.

Affordable non-market housing encompasses a range of affordable housing programs including housing provided by community housing providers, discount to market rental schemes where housing is provided at a portion of its market rent, and other funded affordable housing programs. Non-market affordable housing is an essential component of the housing system and provides for households whose capacity to pay for housing does not meet the market price of housing.

Market housing is the predominate form of housing in Australia. Market housing includes owner occupier and rental product that is freely traded in an open market and whose value is defined by market forces. Access to market housing isn’t restricted to particular groups on the basis of eligibility criteria related to the household. A healthy housing market includes a diversity of housing products at different price points that caters to the majority of households.

Market affordable housing is housing that at its market value or market rent is affordable to particular household types. Market affordable housing includes housing that is affordable on the basis of its design, size, type, composition, method of construction or level of finish.

Market affordable housing is measured at a point in time. Changes in the housing market, such as constraints on supply or increased demand, may affect the price of market affordable housing, resulting in housing which does not have on-going affordability. A strong and continuous supply of market housing is required to mitigate growing housing prices, provide a pathway to home ownership, and alleviate pressure on the housing system.





3 Spectrum of housing affordability

A well-functioning housing system includes an adequate supply of different types of market and non-market housing to meet the needs of local communities across Queensland. The 'housing spectrum' (Figure 1) indicatively depicts the types of housing required to meet the needs of the community across the income spectrum. This policy paper relates to the criteria for the types of housing enclosed within the red outline in Figure 1 below.

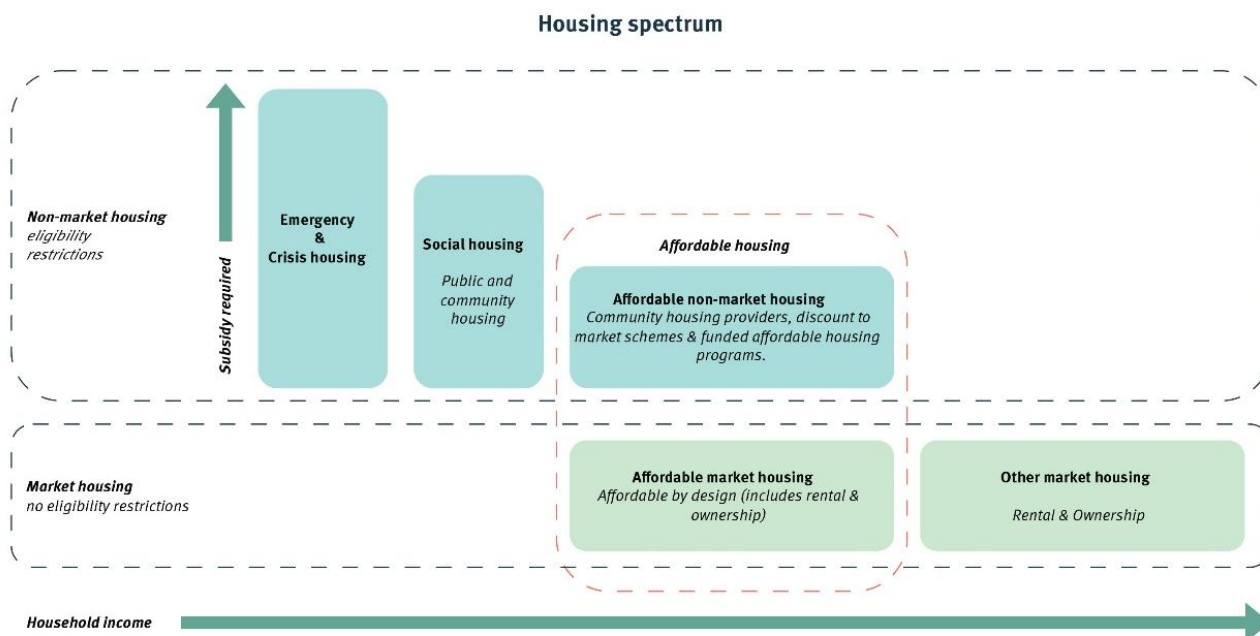


Figure 1 – Housing spectrum

4 How will EDQ’s affordable housing policy be implemented?

The regulatory framework that governs affordable housing under the ED Act is structured to support the Queensland Government’s ‘Homes for Queenslanders’ plan by establishing policy settings that respond to EDQ’s functions to facilitate housing supply including a diversity of affordable housing types.

EDQ is committed to industry collaboration throughout the development of the policy framework. Figure 2 below provides an overview of the various parts of the policy framework and the role of affected stakeholders in the stages of its development and implementation.

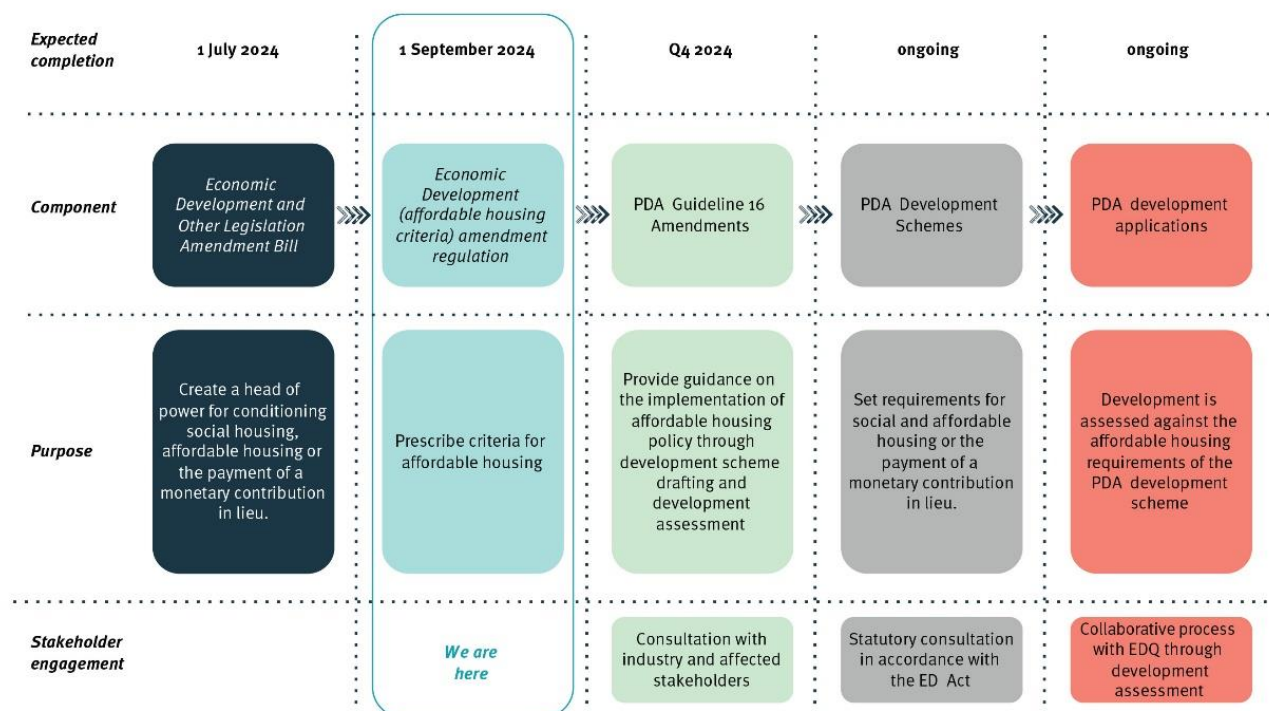


Figure 2: EDQ's affordable housing policy framework

4.1 Economic Development and Other Legislation Amendment Bill

On 20 March 2024, the *Economic Development and Other Legislation Amendment Bill 2024* (the Bill), was introduced into Parliament. The Bill seeks to amend the *Economic Development Act 2012* (ED Act) to strengthen EDQ's remit to deliver housing, including affordable housing in the State.

To achieve this outcome, the Bill introduces several proposed amendments specifically targeted at affordable housing, including:

- amendments to the main purpose of the Act to include the provision of diverse housing, including affordable housing
- the ability for the Minister for Economic Development Queensland (MEDQ) to enter into third party agreements with Community Housing Providers to deliver affordable housing¹
- the ability for the MEDQ to include requirements for affordable housing or a monetary contribution in lieu of affordable housing with a PDA development scheme
- the ability for MEDQ to impose conditions on PDA development approvals that relate to the supply of affordable housing, or a monetary contribution in lieu of affordable housing²
- the ability for the MEDQ to enter into a Housing Agreement which is an alternative pathway for a developer to meet their affordable housing requirements rather than the delivery of the required housing or via a monetary contribution.

To support these amendments the Bill proposes to insert a new section in the ED Act (section 7B) which defines affordable housing as follows:

Affordable housing is housing that is affordable to particular types of households under criteria prescribed by regulation for the particular type of household.

¹ Further information is available at *Fact sheet No. 2 Third Party Housing Agreements* available online at www.edq.qld.gov.au

² Further information is available at *Fact sheet no. 3 Conditioning Social and Affordable Housing* available online at www.edq.qld.gov.au



Subject to passage of the Bill through the Queensland Parliament it is anticipated that the amendment act will commence on 1 July 2024.

4.2 The Amendment Regulation

The Amendment Regulation proposes to include criteria for affordable housing in a way that provides flexibility for government, the community housing sector, and the development industry to respond to local housing need and available funding programs with a range of market and non-market affordable housing types. The proposed criteria and a description of the criteria are set out in Table 1 (below).

The proposed criteria establish the parameters for what can be considered affordable housing and incorporate a broad range of market and non-market housing types that are affordable to particular household types.

For non-market affordable housing that is funded through a government housing program, the criteria for what is affordable will be dictated by the relevant funding program. For other types of affordable housing, housing is affordable if the household contributes not more than 30%³ of the household income as either rental or mortgage payments⁴.

The proposed criteria relate to the direct cost of housing. They do not consider the indirect costs of housing that also contribute to housing affordability, such as environmental sustainability, proximity and appropriate access to infrastructure, public transport, services, and employment opportunities. The indirect costs of housing are relevant considerations in the broader land use and infrastructure planning frameworks, when declaring priority development areas and in preparing land use and infrastructure planning frameworks for PDA.

4.3 PDA Guideline 16

*PDA Guideline 16 – Housing*⁵ (the Guideline) provides guidance on how to demonstrate housing affordability through a diversity of market housing that is affordable by design. The Guideline establishes a methodology to determine price points for housing that is affordable to purchase or rent by low to moderate income households.

The Guideline will be updated to assist in the implementation of the affordable housing provisions introduced through the Bill and to ensure it incorporates the full suite of affordable housing criteria provided for in the Amendment Regulation.

Updates to the Guideline will build on EDQ's established policy for the provision of market affordable housing while introducing additional guidance to assist industry in understanding how EDQ will develop housing affordability requirements for PDA development schemes and assess development applications against these requirements.

4.4 PDA development schemes and development scheme amendments

PDAs are discrete areas of land with unique drivers that warrant housing affordability responses that address the particular housing needs of that area. Not all criteria proposed to be included in the Regulation will be relevant to every PDA, detailed consideration of the housing needs of a particular PDA will be required to set requirements for affordable housing and to determine the application of the criteria to achieve those requirements.

In making new PDA development schemes or amending existing PDA development schemes, EDQ will undertake a housing needs analysis for the relevant area. This analysis would examine the particular household types whose affordability needs are not met by existing housing stock and the extent to which market or non-market affordable housing interventions may address that housing need. EDQ's analysis would quantify the implications of the requirements on development and determine what could reasonably be imposed on development through the PDA development scheme.

The Bill will not immediately change social and affordable housing arrangements within existing PDAs. Any proposed changes to those arrangements would be through amendments to the development schemes which are subject to the usual public notification processes.

³ Low income and moderate income households who spend more than 30% of their gross household income on mortgage or rental payments are more likely to suffer housing stress.

⁴ PDA Guideline 16 currently provides that 35% of household income may be dedicated to mortgage payments.

⁵ Available online at https://www.statedevelopment.qld.gov.au/__data/assets/pdf_file/0016/17602/guideline-16-housing-jan-2016.pdf



4.5 PDA development applications⁶

PDA development applications are assessed against the relevant PDA development scheme. In making an application for development in a PDA that includes requirements for affordable housing, the applicant should demonstrate how any applicable affordable housing requirements are achieved.

Subject to consideration by EDQ in the assessment of the application, conditions may be imposed on the development approval to require the provision of the affordable housing as proposed in the application.

Where provided for by the relevant PDA development scheme, applications that do not meet the affordable housing requirements may provide a monetary contribution in lieu of the supply of affordable housing. If a monetary contribution in lieu is required, a developer may propose an alternate affordable housing pathway to meet their requirement, and if supported, enter into an agreement with the EDQ to waive the monetary contribution in lieu.

⁶ Further information is available at *Fact sheet no. 3 Conditioning Social and Affordable Housing* available online at www.edq.qld.gov.au.



TABLE 1: Proposed affordable housing criteria

#	Proposed criteria	Explanation
Non-market housing affordable to low to moderate income households		
a)	Housing provided by a registered provider under the <i>Housing Act 2003</i> to a household in the low to moderate income range at an affordable rent	In addition to providing social housing, registered providers under the <i>Housing Act 2003</i> may provide affordable housing. The housing meets the criteria if it is affordable to low to moderate income households.
b)	Housing provided as part of a program, funded by any of the following entities, to support the provision of affordable housing for households in the low to moderate income range – a) A public sector entity under the <i>Public Sector Act 2022</i> , section 8; b) a local government, c) the State, d) the Commonwealth.	Funding for affordable housing is available through a range of government programs. The criteria are intended to capture households who earn less than 120% of the median household income who are not eligible for social housing. Housing which receives government funding for the provision of affordable housing meets the criteria if the housing is for households in the low to moderate income range.
c)	Housing that is provided for rent to a household in the low to moderate income range at a price that is no greater than 74.9% of the market rent for the housing	Certain housing providers, whether registered under the <i>Housing Act 2003</i> or not, can provide housing at a discounted rent. The housing meets the criteria if it is provided to households in the low to moderate income range at more than a 25% discount to market rent.
Market housing affordable to low to moderate income households		
d)	Housing which has a market value that is affordable to purchase by households in the low to moderate income range	Affordable home ownership provides households with security of tenure and can provide long term financial benefits through accrued equity. Housing achieves the criteria if it is affordable to purchase by low to moderate income households at its market value.
e)	Housing which has a market value that is no more than 20 times greater than the affordable rent for households in the low to moderate income range	Rental affordability can be derived from the market value of an investment property by assuming the annual gross rental yield equals 5% of the property's market value i.e. the market value is 20 times greater than the annual gross rental yield. This rate accords with long term averages for rental products in South-East Queensland. Housing meets the criteria if its market value is no more than 20 times greater than the annual affordable rent for low to moderate income households.





TABLE 1: Proposed affordable housing criteria

#	Proposed criteria	Explanation
f)	Housing that has a market rent that is no greater than the affordable rent for households in the low to moderate income range	<p>Rental affordability for housing that is built for rental purposes can be determined based on the market rent for the housing relative to the affordable rent. Housing meets the criteria if the market rent is equal to or less than affordable rent for low to moderate income households.</p> <p><i>Note: this criteria relates to market affordable housing, build-to-rent housing may include non-market affordable housing under criteria (a,b or c).</i></p>
Market housing affordable to first home buyers and key workers		
g)	Housing which has a market value that is affordable to purchase by households in the income range for first home buyers or key workers as determined by a housing needs analysis	A housing needs analysis undertaken by EDQ will profile the housing needs of a particular PDA including identifying the household groups that constitute key workers or first home buyers in the area.
h)	Housing which has a market rent that is affordable to rent by households in the income range for key worker households as determined by a housing needs analysis .	The housing needs analysis will enable EDQ to establish affordability thresholds that respond to the identified household groups' capacity to pay for housing.
Definitions		
Low to moderate income range means an annual income of more than 50% and less than 120% of the median household income for the relevant local government area as published by the Australian Bureau of Statistics for the most recent census year and indexed in accordance with the 'All Sectors Wage Price Index, Queensland' published by the Australian Bureau of Statistics.		
Affordable rent means a rental payment that does not exceed 30% of gross income for the household.		
Affordable to purchase means a mortgage payment that does not exceed 30% of gross income for the household.		
Market value means the estimated amount for which the housing should exchange on the open market between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.		
Market rent means the estimated amount for which an interest in the housing should be leased on the open market between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.		
Housing needs analysis means the document of that name published on the MEDQ's website for the relevant area in which the housing is located.		

