Proposal



Mandatory Inclusion Zoning: A nationally consistent approach

21 February 2025

Executive summary

We urge the Australian Government to lead development of a **Mandatory Inclusionary Zoning (MIZ) National Framework** that:

- Sets out a consistent national vision for the use of MIZ across the states and territories, including specifying roles and responsibilities and a timeline for implementation.
- Acknowledges the role of state and territory land use planning and development systems in MIZ, and supports necessary reforms in those systems.
- Is pledged as an action under the National Housing and Homelessness Plan or the National Housing Accord and implemented through the new National Agreement on Social Housing and Homelessness (NASHH).

This action is urgently needed to take the pressure off the private rental sector, provide homes for lower income households, ease the social and economic problems linked to insecure and poorly located homes, and create inclusive communities.

By 2041, Australia will need almost one million additional homes that are affordable to lower income households. Governments across Australia are actively exploring ways to use planning systems to better deliver affordable homes. However, a lack of coordination, consistency and clarity risks reducing acceptance of such measures among the development industry, local communities and other stakeholders.

MIZ is a proven method to deliver affordable housing options. MIZ integrates affordable homes into existing planning, development and infrastructure funding processes. MIZ complements other efforts of all tiers of government to respond to Australia's housing crisis.

A MIZ National Framework should incorporate five elements to minimise disruption during introduction, ensuring a nationally consistent approach:

1. Minimum contribution requirements and standards
2. Framework for securing contributions through development
3. Tracking and monitoring outcomes
4. Timeline for introduction
5. Clearly stated roles and responsibilities.

This paper provides an evidence-based framework for implementing MIZ within the Australian housing system. It outlines how MIZ can integrate into the housing ecosystem, outlining the roles of all three levels of government. Developed through over five years of extensive cross-sector collaboration, this paper presents a shared vision for increasing affordable housing in Australia.

Why MIZ?

MIZ parallels established mechanisms for infrastructure delivery

Mandatory Inclusionary Zoning (MIZ) refers to land use planning rules that require developers to routinely include **affordable rental homes** within market housing projects, or to make a contribution of cash or land so that an equivalent number of affordable homes can be provided in the locality. Such a contribution is required as a condition of development approval.

MIZ parallels established planning processes used to deliver facilities like parks, libraries and roads in new developments; to similarly deliver affordable rental homes. 'Affordable rental homes' funded through MIZ are a specific housing product, made available at an affordable rent to households who cannot afford market homes, usually as rentals owned and managed by not-for-profit community housing organisations.

By delivering a supply of dedicated affordable housing, MIZ ensures stable homes for lower income households, alleviating the pressure on the overstretched private rental sector and mitigates the social and economic consequences of housing insecurity, spatial disadvantage and poorly located homes.

MIZ is a proven mechanism to deliver affordable housing

MIZ has successfully generated substantial numbers of social and affordable homes internationally, including the UK, USA and many other countries with similar housing markets as Australia. For example, in a 12-month period from 2021, MIZ delivered 26,000 new affordable homes across England. MIZ is also proven to work in the Australian context, successfully delivering 900 dwellings in major urban renewal projects in the City of Sydney since 1996. It is actively being developed by other local councils.

By generating a supply of permanent affordable rental homes, the public benefits generated by MIZ are retained over the long term. Homes delivered through MIZ, when owned and managed by not-for-profit community housing organisations, support the growth of this sector and boost its capacity to leverage additional investment into more new affordable homes. Community housing organisations are also best placed to ensure that community development and social support services are at the heart of each tenancy.

MIZ integrates with existing planning and development processes

Modelling has shown that Australia will need almost one million new homes by 2041 that are affordable for people earning low incomes. Increasing the supply of homes on the market is important. However, no matter how ambitious the targets, market supply will not reduce housing costs enough to make homes affordable for those on the lowest of incomes. MIZ is not a barrier to the private sector delivering new homes when carefully implemented.

MIZ ensures dedicated affordable rental homes are delivered alongside any new supply of market homes. MIZ works at a neighbourhood scale, so the affordable rental homes are delivered in areas planned for growth and development. By integrating affordable homes into neighbourhoods identified as suitable for growth, MIZ creates inclusive communities, giving people who cannot afford market homes better access to jobs, education, services, and amenities and opportunities.

Why a MIZ National Framework?

A coordinated approach is needed to give stakeholders certainty

The Australian Government, state and territory governments, local councils, industry bodies, developers and community housing organisations all have roles to play in making MIZ work. A coordinated national approach avoids inconsistent requirements, timelines and processes in every jurisdiction around Australia. Such regulatory complexity will discourage market development and reduce the acceptance of MIZ among developers and communities.

A coordinated and consistent approach across Australia will overcome this risk by providing certainty for the market and ensuring opportunities are not missed to deliver more affordable homes.

A consistent approach minimises disruptions of policy change

A national MIZ Framework will set out the national vision for use of MIZ across the states and territories, including roles and responsibilities and a nationwide implementation timeline. Adopting a national MIZ framework has many benefits, it:

- Maximises the adoption of MIZ, ensuring that people all around Australia benefit from additional access to affordable homes.
- Provides the coordination and consistency that is needed to maximise the benefits of MIZ and minimise disruption during implementation.
- Provides appropriate flexibility for states and territories to respond to individual regulatory, project and market contexts.
- Can leverage best practice examples and create a learning system where knowledge, skills and capabilities are easily transferable from one place to another.
- Provides long-term certainty for developers by clarifying cost and revenue assumptions, enabling more informed decision-making on future site acquisition.

Commitment to a national MIZ Framework with an implementation timeline is crucial for making MIZ work at the scale required.

The Australian Government is well placed to provide leadership

The Australian Government is best placed to take the lead in coordinating the development and roll-out of a MIZ Framework.

While the Australian Government lacks the legal power to enact MIZ through state and territory legislation, it can provide leadership and financial incentives for policy adoption. The actions it can take are:

- Including related commitments as actions pledged in the National Housing and Homelessness Plan or National Housing Accord to be implemented through the National Agreement on Social Housing and Homelessness (NASHH) periodically negotiated between the Australian and state/territory governments.
- Providing funds for MIZ education and capacity building to support state, territory and local governments to implement MIZ effectively in their jurisdictions.
- Providing a payment for each affordable rental home generated by MIZ in the first few years of the framework's operation to facilitate transition, with the details outlined in the NHHA and the NASHH.

Context of this proposal

A MIZ National Framework that builds on existing consensus

The proposal for a MIZ National Framework was initially developed through the Constellation Project, a cross-sectoral collaboration that used a social change model to develop solutions to tackle housing affordability and homelessness.

Over five years, the details of the framework were developed and refined through facilitated design sessions. These sessions engaged a diverse range of stakeholders and subject matter experts, including industry leaders, academics, policy advisors, representatives from all levels of government, philanthropy, economists, peak bodies, the development industry and community housing organisations.

This proposal recommends features that should be adopted through MIZ National Framework, consistent with this cross-sector collaboration.

A MIZ National Framework that develops detail for consistent implementation

The work of the Constellation Project also identified parameters of any MIZ mechanism that should be established in a consistent way, to maximise effectiveness and acceptance and minimise disruption and confusion. Pinning down this detail is best suited to the relevant government agencies and departments, as part of a more comprehensive policy development and with further consultation of key stakeholders. It should, however, be developed in a coordinated manner across Australia, which adoption of a MIZ National Framework will assist.

This proposal recommends features that should be developed as part of the MIZ National Framework.

A MIZ National Framework that supports state and territory governments

The states and territories are responsible for land use planning and enact their own legislation and develop their own regulations. While guiding and supporting policy reforms at the state and territory level, a MIZ National Framework must leave some flexibility for each jurisdiction to respond to individual regulatory, project and market contexts. This can be done by placing responsibility with state and territory government for activities crucial to the operation of MIZ including:

- Drafting legislation to implement the MIZ Framework
- Integrating MIZ into planning assessment processes
- Integrating MIZ monitoring into appropriate policies
- Developing detailed policy guidelines

This proposal recommends features that state and territory governments will need to develop to implement the MIZ National Framework.

Integration with other affordable housing measures

MIZ complements other measures that support residential construction and the supply of social and affordable homes.

Planning

Allocating land for affordable housing, through MIZ, is consistent with existing planning frameworks across Australia.

- MIZ sits within the broader planning framework along with land use zoning and development standards. It supplements planning mechanisms that support delivery of diverse housing options such as granny flats, small studio apartments and incentives for social and affordable homes.
- MIZ can work alongside existing incentives for affordable homes managed through voluntary infrastructure contributions, with any voluntary contribution applying above the baseline established by MIZ.

Design and construction

Building codes and design standards to maintain occupant and neighbour amenity will apply to any MIZ product, ensuring communities where social and affordable homes are indistinguishable from market homes.

- MIZ aligns with the imperative that developers know any contribution requirements during the land purchase phase. As shown in figure 1., that means any costs associated with delivering MIZ can be accounted for in land price.
- Concessions that already apply to other types of development, such as reduced parking near public transport, or communal amenities over the amenity of individual homes, would also apply for MIZ products. If they do not already exist, concessions of this sort could be introduced for MIZ products.
- The costs of delivering homes can be reduced through flexibility in how amenity and building performance is achieved. This could include using innovative models and construction materials.

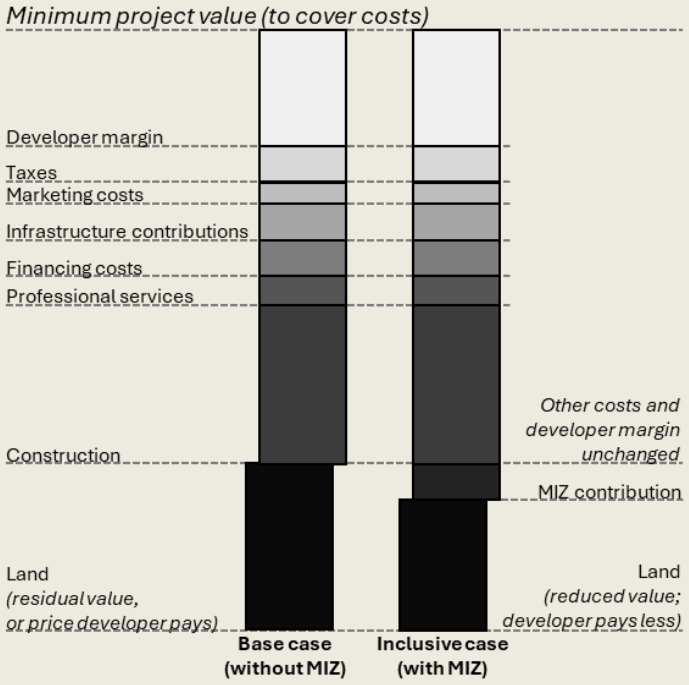


Figure 1

Supportive evidence

To support evidence-based policy, we commissioned independent economic modelling by SGS Economics & Planning to quantify the impact of a coordinated, nationally consistent MIZ framework. The analysis examines MIZ's contribution to affordable housing supply, its effect on the development sector and the timeframe for project viability to stabilise.

The modelling, independently funded by Steering Committee members, has undergone a rigorous two-stage peer review, incorporating feedback from major developers, peak bodies and academic experts. A scholarly evaluation by leading researchers has further validated its feasibility, economic soundness and effectiveness, reinforcing the case for MIZ as a practical and sustainable policy solution. The final refinements are underway, ensuring the framework is robust, implementation-ready and aligned with national housing objectives.

Supporting delivery of social and affordable homes

MIZ cannot meet all of the demand for social and affordable homes. Other systemic subsidies outside of the planning system are also needed. MIZ contributions complement these sources by increasing the capacity for community housing organisations to fund social and affordable housing projects.

Typical forms of systemic subsidy for social and affordable homes

The delivery of social and affordable homes relies on a combination of systemic subsidies and private finance. Typical forms of government support include capital grants, operating subsidies, availability payments, tax offsets and concessional access to land. While philanthropic contributions occasionally supplement these sources, most assistance comes from federal, state and territory governments.

Community housing organisations also leverage their own equity and private finance to expand housing supply. This includes senior debt through the Housing Australia Bond Aggregator, bank loans, institutional investment and cross-subsidising social and affordable homes with market homes. By combining these mechanisms, community housing organisations maximise the impact of government support and deliver more affordable housing.

Community housing organisations

There are currently over 200 registered community housing organisations providing homes across all states and territories in metro, regional, rural and remote areas. There is a commitment by both the Australian Government and states and territories to support growth of the community housing industry. This is articulated in the objects of Housing Australia, in the National Housing Accord and the Community Housing Providers National Law.

In 2023, community housing organisations:

- managed over 130,000 social and affordable housing tenancies nationwide providing over 27% of social housing in Australia, compared with 12% only thirteen years earlier in 2010,
- owned over 40,000 social and affordable homes, and
- held aggregate assets of over $20 billion.

As long-term owners and managers of housing, focused on delivering well-designed and built homes that stand the test of time, community housing organisations apply established asset and development standards that provide for effective, long-term property management and deliver cost savings for tenants. Larger community housing organisations can point to a successful property development track record delivering new homes that comply with numerous applicable standards.

The five elements of the MIZ National Framework

01 Minimum contribution requirements and standards

02 Process for securing contributions through development

03 Planning, monitoring and evaluating outcomes

04 Timeline for introduction

05 Clearly stated roles and responsibilities

01 Minimum contribution requirements and standards

The MIZ National Framework should set a uniform minimum contribution requirement that will consistently and equitably deliver the benefits of MIZ.

1. Principles to adopt in the MIZ National Framework:
Workshop discussions highlighted the importance of uniformity and clarity in any MIZ, to enable it to be factored in early in development financials, minimise delays and ensure delivery is fairly distributed across all developments. The recommended standards are:

- **Requiring 10% of residential floor space to be dedicated as affordable housing** in all developments on privately owned land that generate more than two new homes. A flat rate, known in advance, can more easily be factored into development costs. Excluding small-scale or self builds removes a significant administrative load.
- **Applying MIZ in all metropolitan areas** as well as in major regional centres experiencing rapid growth. These are the markets where land costs, which MIZ mitigates, comprise a larger proportion of development costs and where affordable rental homes are most needed.
- **Retaining, in perpetuity, the supply of affordable rental homes** generated through MIZ. This ensures the value of the homes contributed through MIZ continues to deliver public benefits over the longer term.

2. Principles to develop through the MIZ National Framework:
The MIZ National Framework should establish clear parameters for when MIZ applies. That is, what constitutes 'metropolitan area' and 'rapid growth'. In low-cost, particularly rural, markets, land costs are low and land allocation through MIZ is less effective at generating affordable homes. The boundaries where MIZ is applied should be consistently established.

3. For state & territory governments to implement:
Planning legislation, the legislative mechanism that would mandate contributions, lies with individual states and territories. Each jurisdiction would need to develop its own legislative amendments, to embed MIZ, as committed through the MIZ National Framework, into its planning system. The MIZ National Framework should be used to support these separate legislative reforms.

Optional upzoning trigger

States and territories are exploring other ways the planning system can deliver affordable housing. MIZ described in this proposal can sit alongside additional contributions of affordable housing on private development sites benefiting from significant increase in value due to rezoning. This 'upzoning trigger' enables the community to benefit from this increase in value, alongside the developer.

For a landowner, this upzoning trigger to introduce a site-specific MIZ can be preferable, as it maps out what is permitted on the site and what contributions are required at the same time. For the community, the upzoning trigger can be preferable, as it could mean MIZ is introduced earlier or at a higher rate. The extent of additional affordable housing required on upzoned sites should be subject to feasibility testing to ensure a fair rate is applied.

02 Process for securing contributions through development

The MIZ National Framework should establish what is an accepted contribution and consistent principles for transferring or dedicating contributions to the government.

1. Principles to adopt in the MIZ National Framework:
MIZ should be flexible on how contributions are provided, to maximise opportunity for innovative and customised contribution models in different contexts. Workshop discussions with developers and industry stakeholders identified three practical contribution methods that can be used separately or in combination.

- **Completed homes**, which are most suited when contributions are integrated into larger developments, in terms of construction and timing of delivery
- **Money**, which is most suited for smaller sites or where a MIZ contribution includes a 'partial' dwelling, and where no homes suitable for contribution are included in a development; or
- **Developable land**, which is most suited for larger precincts, where community housing organisations can take ownership of developing the affordable housing component separately from market housing.

Regardless of the contribution options established by the national MIZ Framework, the framework has a key role in articulating consistent principles, for implementation at the local level.

2. Principles to develop through the MIZ National Framework:
Allowing flexibility in how contribution requirements are met requires clear guidance on how proposals will be assessed. The MIZ National Framework needs to establish consistent principles for:

- **Determining equivalent contributions**: Deciding, for example, how much cash or land is equivalent to a completed home.
- **Specifying contributions:** Deciding, for example, the mix of dwelling types and specifications that address the local community's housing needs.
- **Partnerships for contributions:** Deciding, for example, which community housing organisations are active in a locality, are well equipped to work with developers and other owners and to take carriage of any dwelling or land assets.
- **Timing of contributions:** Deciding, for example, when a contribution needs to be transferred, particularly in staged developments and monitoring/integrating the transfer of assets as part of the approvals process
- **Collection and distribution of contributions**: Establishing mechanisms for collecting and distributing funds to community housing organisations, ensuring efficient resource consolidation to enable meaningful investment and guaranteeing that funds are allocated within areas where they were generated.

3. For state & territory governments to implement:
Alongside new legislation, states and territories will need to develop jurisdiction-specific policy for transferring contributions and interpreting any new legislation. The MIZ National Framework can support this through resources to build capacity and understanding across local government, development and community housing sectors.

Developments on publicly owned land

Developments on publicly owned land would also make the minimum MIZ contribution. State and territory governments should separately commit to more affordable homes in any development on publicly owned land, effectively requiring higher MIZ contributions on those sites.

03 Planning, monitoring and evaluating outcomes

The MIZ National Framework should build a national picture of the number and location of affordable homes expected and actually delivered, through MIZ over time. In addition to providing transparency on the implementation and operation of MIZ, this information is an important resource for those tasked with planning and funding the supply of affordable homes needed to supplement MIZ.

1. Principles to adopt in the MIZ National Framework:
This proposal recommends the MIZ National Framework develop and incorporate:

- **Planning data, to guide the future implementation of the framework.** This would specify demographic forecasts of the anticipated scale and composition of need for social and affordable housing at the local government level, to inform development choices about the types of contributions to include in development. This would also specify community housing organisations with capacity and a footprint in different local government areas, that councils and developers can seek out.
- **Monitoring data, to track what is being delivered and in what ways,** and identify and track any issues in implementation. Collation of this data at a national level will help identify what capacity building or information sharing can facilitate implementation of MIZ and maintain alignment across jurisdictions.
- **Evaluation data, to assess the overall effectiveness of MIZ**. This should specify numbers and types of dwellings, geographic distribution and any ongoing unmet demand.

2. Principles to develop through the MIZ National Framework:
MIZ National Framework to develop details for:

- Specifying the spatial scale and frequency data is made available – local government scale and annually, at a minimum, but potentially smaller (suburb or postcode) scales where appropriate
- Specifying data collection standards and templates for how to communicate that information in local/state policies (so it's consistent).
- Specifying capacity in the Australian Government, or with an appropriate agency (like Housing Australia) to collate and analyse data at the national level

3. For state & territory governments to implement:
The national picture can be built up from local governments, which will need to develop local plans and collect local development data on affordable homes generated through MIZ. Local council plans should provide guidance to developers and the community on the local outcomes council is seeking to achieve from MIZ contributions.

These plans could be standalone MIZ plans, but many state jurisdictions already provide such guidance at a local level, through housing strategies or similar. State and territory governments should be supported through the MIZ National Framework to embed the consistent MIZ data and guidance into existing policies and processes, rather than duplicate them.

04 Timeline for introduction

Establishing a clear, consistent implementation timeline through the MIZ National Framework is crucial for making MIZ work at the scale required. A carefully staged, nationally consistent, implementation timeline will maximise the benefits of MIZ around Australia and minimise market disruption during implementation.

A key benefit of MIZ is that, once fully implemented, any required contribution is known by developers before land purchase and other investment decisions, to be accounted for when deciding the price that can be paid for land. The introduction of MIZ requires careful implementation to avoid adverse impacts on the existing pipeline of new homes.

1. Principles to adopt in the MIZ National Framework:
Based on discussions with developers and other industry stakeholders, a four-phase implementation process can address feasibility concerns, by providing enough forward notice for the market to adjust.

- **Development phase (up to the passing of legislation).** This will provide time to develop specific legislative amendments and operating guidelines, allow stakeholders to see how it will work and what it will mean for them, provide early notice of requirements and expected implementation timeframe.
- **Notice phase (2 years, with no MIZ contributions).** This will allow landowners to make an informed choice about how they treat currently owned land: to either hold it, sell it or build it out before MIZ is applied.
- **Transition phase (4 years, with partial MIZ contributions, e.g. 5%)**. This will allow land value appreciation over time and limit short-term impact on land value. It will also give key stakeholders time to establish systems to implement MIZ efficiently: integrating it into assessments, partnerships, ownership transfers and operations.
- **Operation phase (ongoing, with full MIZ contributions).** Once implemented, there will be ongoing planning, monitoring and review.

This staged implementation means MIZ poses little disruption to developers whose main activity is home building, rather than speculative land banking or trading. Also, any impact on longer term holdings would also be minimal, offset by increases in land value over that period and so not an ‘out of pocket’ cost.

2. Principles to develop through the MIZ National Framework:
The MIZ National Framework will ultimately be responsible for the development phase, including dictating how long that phase lasts. The MIZ National Framework should also explore other support needed during the notice and transition phases, particularly building understanding and capacity to work with MIZ once implemented. The MIZ National Framework would also address the potential for payments during the transition phase, through Housing Accord, to facilitate introduction of MIZ.

3. For state & territory governments to implement:
As already outlined, each jurisdiction will be able to use the phased introduction to develop resources to support affected stakeholders, particularly the development, local government and community housing sectors, as well as the community as a whole.

Developments underway when MIZ is introduced

Developments that have progressed to ‘development application’ stage before the ‘transition’ or ‘operation’ stages commence will follow any MIZ requirements in place at the time of their lodgement. This ‘grandfathering’ ensures there is no interruption to the existing housing supply pipeline during the introduction of MIZ. Grandfathering applications lodged, not just approved, means developers do not have to worry that slow assessment processes will push their approval to after the introduction of MIZ.

05 Clearly stated roles and responsibilities

The Australian Government, state and territory governments, local councils, relevant industry peaks, developers and community housing organisations all have responsibilities under a national MIZ Framework. These are set out below.

Commonwealth

The responsibilities of the Australian Government are:

- With the states and territories, endorse a national MIZ framework,
- Integrate MIZ into national housing strategies such as the National Housing and Homelessness Plan, the National Housing Accord and the NHHA,
- Fund and apply strategies to incentivise states and territories and local councils to adopt and effectively implement MIZ,
- Provide funds for MIZ education and capacity development supporting states and territories and local governments to promote, design, implement and administer MIZ effectively in their jurisdictions, and
- Monitor and report on the national picture of affordable homes and other outcomes delivered through the national MIZ Framework.

States and territories

The responsibilities of state and territory governments are:

- With the Australian Government, endorse a national MIZ Framework,
- Be accountable for all aspects of MIZ delivery within their jurisdiction,
- Develop a jurisdictional approach to effective operation of MIZ including administration of MIZ outcomes, selection and suitability of CHOs, oversight and process of owning and managing operations of affordable homes,
- Pass legislation and regulations needed to support operation of MIZ,
- Collaborate with local councils to:
    - Develop State or Territory and local council level plans that incorporate expectations and anticipated outcomes from MIZ,
    - Design key components and outcome measures ensuring the strategies are consistent across local councils and can be successfully rolled up to state or territory and Australian government levels,
- Provide education and capacity building to support implementation and administration of MIZ within their jurisdiction. This could include administering funding for local government initiatives or providing education or resourcing for industry bodies or other state or territory significant stakeholders, and
- Monitor and report on affordable homes and other outcomes delivered through the national MIZ Framework.

Local councils

The responsibilities of local councils are:

- Develop a plan for use of MIZ contributions that includes expectations and anticipated outcomes, for the local government area,
- Assess/approve developments, as usual, but with particular regard for agreed specification/design/timing/transfer of contributions under MIZ,
- Monitor MIZ plan outcomes and report them as required,
- Provide education and capacity building for local stakeholders supporting promotion, design, implementation and administration of MIZ within the local government area, and
- Promote MIZ to their local communities.

Relevant industry and other peaks

Responsibility to provide education and capacity building supporting promotion, design, implementation and administration of MIZ within the industry and amongst industry stakeholders.

Developers

- Continue developing homes as usual, and
- Incorporate MIZ transfer mechanisms into business as usual.

Community housing organisations

- Continue delivering well-designed and built affordable homes,
- Incorporate MIZ transfer and distribution mechanisms into business as usual.

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aaeh
australian alliance
to end homelessness

This work on MIZ is the output of a collaboration initially convened by the Constellation Project. The Australian Alliance to End Homelessness (AAEH) now supports the MIZ Steering Group, alongside financial and in-kind contributions from our many partners.