

ZONING FOR INCLUSION

THREE MEASURES TO INCREASE COMMUNITY AND PUBLIC HOUSING

a discussion paper



MESSAGE FROM JO CLAY

**DEPUTY LEADER OF THE ACT GREENS,
MEMBER FOR GINNINDERRA**



Yuma!

The ACT is in a housing crisis.

Our public housing stock has dropped to less than 6% of all ACT homes. Our public housing waitlist has risen to around 3,500 households. And buying or renting a home has become unaffordable for many Canberrans.

The Greens are also worried about climate resilience. Our community need secure housing as part of our climate adaptation strategy.

The ACT and Federal Government are acting to increase the supply of homes. But this won't create enough public and community homes.

We need today's development to meet the needs of our community, now and into the future.

This conversation is also about fairness. We should channel windfall gains from land development into the needs of our community, not private pockets. We should use our planning and economic tools to create more public and community housing.

The Greens are proposing three measures to help the housing crisis:

1. Inclusionary zoning so that a proportion of development contributes public and community housing.
2. Discount land so that it is viable to build public and community housing.
3. Lease Variation Charges that support public housing.

I encourage you to be part of this conversation and I would love to hear your feedback by 30 April. Thank you for contributing your time!

A handwritten signature in blue ink, appearing to read 'Jo Clay'.

Jo Clay
Deputy Leader of the ACT Greens

We acknowledge the Ngunnawal people as traditional custodians of the ACT and recognise any other people or families with connection to the lands of the ACT and region. We acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

The Greens respect the right to self-determination and continue to ask ACT Government to empower decision-making by local First Nations peoples and engage in meaningful consultation.

WHAT IS THE PROBLEM?

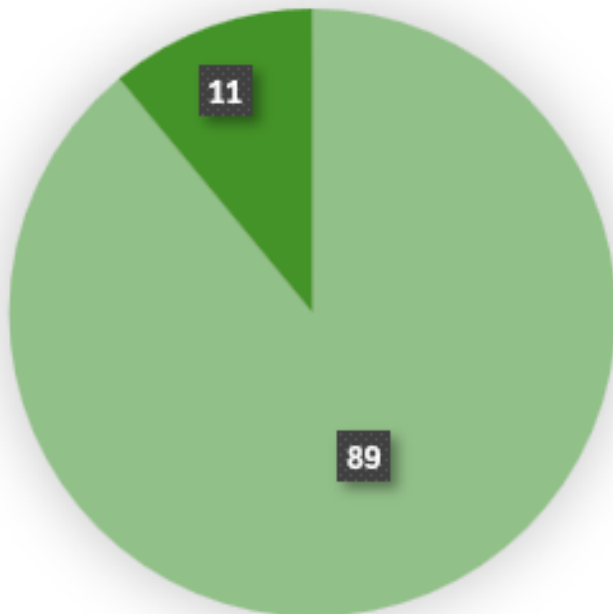
Canberra is in a housing crisis and things are getting worse.

At the end of 2024 we had 3,002 households on the public housing waiting list.

As at 31 December 2025 that number had surged to 3,497. Rents are increasing. Buying a house in Canberra is tough, especially for households on lower incomes. There are very few homes that are affordable to rent or buy for essential workers, which means that they are pushed into rental stress. And Canberra typically ranks third highest behind Sydney and Brisbane in housing sales values. Homes are not affordable for many of our people.

Canberra was not always like this. We were in fact originally built on public ownership of housing and in 1989, the ACT Government owned 11% of all housing.

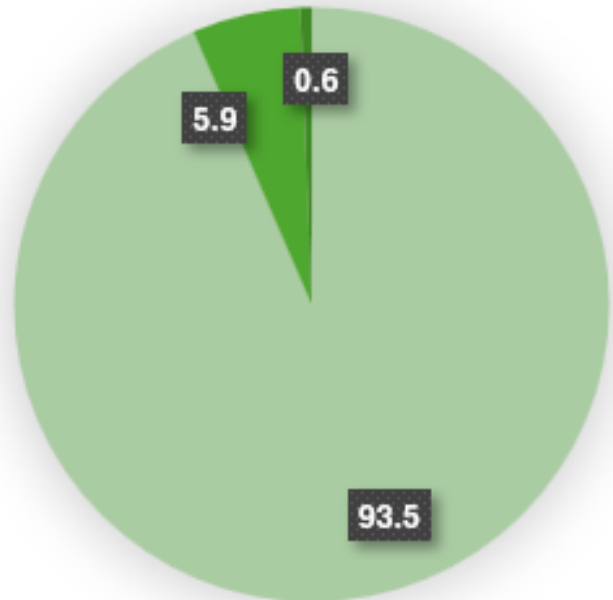
1989



■ privately owned homes
■ public homes

The balance has shifted. As of late 2024, Canberra had 200,587 homes, 11,845 of which were public homes (5.9%) and 1,147 community homes (0.6%).

2024



■ privately owned homes
■ public homes
■ community homes

The Greens are concerned that even if the ACT Government meets its target of 30,000 homes by 2030 including 5,000 public, community and affordable homes, we will not increase our public and community housing as a proportion of all homes. That means public and community housing will not even keep pace with ordinary population growth, let alone address the scale of community need.

Public and community housing are only one aspect of housing affordability and there are many local and Federal factors at play.

But public and community housing are directly within the control of the ACT Government and are a key tool in addressing the housing crisis. We need to make sure our laws, policies and programs are making space for public and community homes.

WHAT SOLUTIONS ARE ALREADY IN PLACE OR ON THE WAY?

Some issues with affordability relate to Federal tax and policy settings. It has long been Greens policy to phase out negative gearing after the first investment property and to phase out capital gains tax discounts - the Federal government is now looking at some aspects of that tax reform package.

Federal home buyer support programs have been criticised as having an inflationary impact. Current criticism may lead to further reform.

The Territory already identified a portion of suitable residential land it releases for public, community and affordable housing. In 2025-26, it dedicated 20 per cent to this. But land for public, community and affordable housing is sold at market value, which means most of these blocks aren't taken up and developed for public, community and affordable housing. This target is not delivering.

Both the ACT and Commonwealth Government have initiatives designed to support the growth of the public and community housing sector with a particular focus on community housing, including the Affordable Housing Project Fund and the Housing Australia Future Fund programs.

Some ACT-controlled issues have also been actioned or are under way. The Greens legislated changes to improve renter's rights, cap rent increase and end no-cause evictions last term.

The Greens also called for zoning reform at the last election, which is now under way. This should increase supply, including the number of smaller and hopefully more affordable homes which are located close to shops, public transport, open space areas and schools. New homes are more energy efficient which are also cheaper to run.

Greens amendments this term have also made housing a human right.

As well as making housing a human right, the Greens amended Government legislation to allow community housing to be declared a Territory Priority Project. We also ensured that key environment and First Nations cultural protections would be included.

The above reforms are positive but they have not yet had an opportunity to impact on the housing crisis and both supply and affordability remain of concern. The mid-year 2025-26 budget review notes lower ACT housing market activity than the 2022 peak reflecting the impact of higher interest rates and elevated material costs.

From the broader housing market perspective, the current commencement and completion numbers for private dwellings suggest it will be a challenge to meet the ACT Government's housing commitments.

This is why we should look to all options to improve housing supply, especially public, community and affordable housing.

THREE MEASURES TO INCREASE COMMUNITY AND PUBLIC HOUSING

This paper identifies three measures within ACT Government control that may help increase community and public housing.

This package of measures includes legislative reform and commercial setting changes to make those reforms viable.

1

INCLUSIONARY ZONING

2

DISCOUNT LAND FOR PUBLIC AND COMMUNITY HOUSING

3

LEASE VARIATION CHARGES TO SUPPORT PUBLIC HOUSING

1

WHAT IS INCLUSIONARY ZONING?

Inclusionary zoning is a planning policy that requires a proportion of urban development to contribute to the supply of non-market housing, such as public and community housing.

When additional uses are added to a block of land (via the Crown lease), in the main, the value of the land increases. Part of the debate about establishing Canberra focused on how land use could help offset the cost of developing and managing the Territory. This led to the Commonwealth retaining ownership of the land via a leasehold system of tenure.

The Crown lease establishes both the purposes to which the land can be put and its associated value. As additional uses are added the Territory captures some portion of the increase in land value that occurs. Called Change of Use Charge, Lease Variation Charge or Betterment over the years, they all represent a form of land value capture which is paid to the Territory.

Revenue from this becomes part of the Territory's consolidated revenue and is disbursed through the budget to meet the costs of running the Territory.

Inclusionary zoning is a form of land value capture, where a landowner wants to add additional development rights, such as through adding more dwellings. Gaining these development rights means the landowner benefits from windfall gains to their property value. Inclusionary zoning is like the lease variation charge – both seek to recover some of that increase in value.

In the ACT context, though, inclusionary zoning would differ from the Lease Variation Charge because the landowner/developer contribution would be specifically designated for public and community housing - rather than being paid into consolidated revenue.

The ACT Greens have long called for inclusionary zoning.

1

WHERE IS INCLUSIONARY ZONING IN PLACE?

- ▲ South Australia has mandated a 15% affordable housing target for significant new developments on former state owned land since 2005 and this has delivered over 4,000 affordable dwellings.
- ▲ The City of Sydney's Affordable Housing Program initiated in the 1990s mandates 1% of the total floor area for non-residential uses and 3% for residential uses. Up until 2022 this had delivered over 900 homes as community housing in perpetuity. New South Wales also has a voluntary scheme that allows councils to levy affordable housing contributions.
- ▲ The United States has over 800 inclusionary zoning programs, particularly in high-cost states such as California, Massachusetts and New Jersey. Research indicates that while the proportion of affordable homes delivered varies, inclusionary zoning can make a meaningful contribution, especially when combined with supportive funding and clear policy mandates.
- ▲ Since the early 1990s the United Kingdom's "Section 106" agreements (planning obligations) have delivered hundreds of thousands of affordable homes as a condition of planning consent for major projects. The scale of delivery is attributable to clear mandates, strong public sector negotiation, and integration with broader planning and funding mechanisms.
- ▲ In cities like Vancouver, inclusionary zoning is used alongside other tools such as land banking and direct public investment to ensure a mix of housing tenures and price points. Inclusionary zoning is also a feature in some European countries.

Key lessons include the importance of clear regulation, integration with other housing strategies, resource support, and ongoing monitoring and evaluation.

1 WHAT'S THE HISTORY OF INCLUSIONARY ZONING IN THE ACT?

Inclusionary zoning was first recommended here in the ACT in the December 2002 Ministerial Advisory Committee report on Affordable Housing. It was again considered in a literature review as part of the 2018 ACT Housing Strategy. Inclusionary zoning was not progressed during the 2019-2023 review into the planning system, which saw new planning legislation and a new Territory Plan brought into play.

In its March 2025 report on delivering the National Planning Reform Blueprint, the ACT Government advised that the ACT's planning system did not incorporate inclusionary zoning.

The ACT Greens took a planning policy to the 2024 election that included the use of inclusionary zoning to ensure public and community homes are available across Canberra.

In November 2025 as part of his Statement of Planning Priorities the Minister for Planning announced that the Territory Plan District Policies would be reviewed for inclusionary requirements in precinct scale developments at key sites and change areas.



WHAT ARE SOME OF THE FEATURES WE NEED TO THINK ABOUT?

If designed well, inclusionary zoning fosters communities where people from diverse economic backgrounds can live side-by-side, reducing concentrations of disadvantage and promoting social cohesion. Instead of leaving those who can't afford market housing to peripheral or stigmatised areas, inclusionary zoning includes public and community housing in our general urban environment and promotes salt-and-pepper distribution.

It aims to locate public and community housing in places that have good access to public transport and services. It offers a potentially self-sustaining model that is less reliant on ongoing government funding. In other words, it provides a means of adding to the stock of public and community housing at no cost to government and ensures we genuinely grow public and community housing stock into the future.

There are many policy choices to make in designing an inclusionary zoning system

▲ **Certainty and simplicity:** These are critical issues in any inclusionary zoning scheme. Certainty for developers as to what the percentage is and when the requirements of the scheme will come into play. Allowing for a period of time to roll out the scheme allows the market to absorb the costs, so that they get incorporated into the value of the land.

Similar benefits arise from a constant rate for the percentage of dwellings required as public and community housing. As has been shown in NSW, a low-rate contribution requirement has delivered significant housing numbers over an extended period of time. This contrasts with the scheme in South Australia.

Another option is to consider using changes to commercial and residential numbers (as they do in NSW) or just residential when determining the scheme parameters.

▲ **Mandatory versus Voluntary Approaches:** Mandatory schemes require developers to meet affordability targets as a condition of development approval. Voluntary approaches use incentives such as increased development yield, reduced planning contributions, or expedited approvals to encourage provision.

▲ **Types of Housing:** Definitions of the public and community housing to be provided under the policy are critical. In this paper, we are referring to public and community housing that is affordable for households on low to moderate incomes with rents or mortgages taking no more than 30% of gross income (to avoid housing stress), noting that public housing rent in the ACT is based on 25% of statutory income. Affordability criteria should also be used when allocating dwellings.

- ▲ **Management of Housing:** The management of the housing delivered under inclusionary zoning is a key consideration. Public housing should be managed by Housing ACT. Community housing should be administered by a community housing provider (CHP) that is well governed, well managed and viable. There are a range of regulated CHPs in Canberra that already manage community housing properties.
- ▲ **Ownership and Duration of Affordability:** Schemes differ on whether inclusionary zoned housing must be maintained in perpetuity or for a fixed period, such as 10, 20, or 30 years. Perpetual affordability is more effective in building a lasting public and community housing asset base, but can be seen as a heavier impost on developers and community housing providers.
- ▲ **In-Lieu Contributions and Flexibility:** Many schemes offer options to make cash payments or provide affordable dwellings off-site, rather than integrate them within their projects. This can increase feasibility and allow delivery in locations of greatest need. However, there are the benefits of a salt-and-pepper spread of public and community housing all across Canberra to ensure a good social mix and access to transport and services in different regions of Canberra. For cash payments, the money could be transferred to Housing ACT and a CHP under a deed to deliver housing.
- ▲ **Target Population Groups:** Inclusionary zoning policies (beyond requirements for income eligibility limits) may specify particular beneficiary groups, such as key workers (like teachers and nurses as identified by the Property Council), people with disabilities, Aboriginal and Torres Strait Islander peoples, or people at risk of homelessness.
- ▲ **Incentives and Trade-Offs:** Where inclusionary zoning is voluntary or relies on negotiation, the use of incentives—such as bonus floor space, relaxed parking requirements, or reduced infrastructure charges—is common. The balance between public benefit (public and community housing) and private return is central to scheme design. These incentives need to be balanced with certainty and negotiation resources.
- ▲ **Integration with Urban Planning:** Inclusionary zoning operates within broader planning frameworks. Successful inclusionary zoning must be aligned with metropolitan and local plans.



1

MARKET AND ECONOMIC FACTORS

- ▲ **Development Feasibility:** Concerns raised about the impact of lease variation charges on the uptake of missing middle housing are likely to be raised for inclusionary zoning. The central theme is that these costs impact on the viability of the development proceeding.

Such concerns seem to focus on the instance of small-scale developments, such as single blocks where mum and dad developers may be dominant. How could these possibilities be factored into the market and should there be a staged introduction?

The introduction of the scheme could be phased, including a development phase, transition and operational phase, to both allow the market to understand how the scheme works, how it will be administered and to address any concerns that may be raised. Lease variation charge is well established and a part of development feasibility considerations already.

Key to avoiding viability issues is adequate lead time and predictability in implementation so developers can factor these new requirements into what they pay for land.

- ▲ **Economic Cycles:** The ability of inclusionary zoning to deliver affordable housing can be affected by broader economic conditions. During market downturns, overall housing supply drops, reducing the absolute number of affordable homes delivered.

Governments should avoid excessive over-reliance on inclusionary zoning mechanisms to fund public and community housing development. Inclusionary zoning is not a substitute for well-funded public and community housing programs.

- ▲ **Risk of Reduced Housing Supply:** Critics argue that if inclusionary zoning requirements are too aggressive, developers may be dissuaded from bringing new supply to market, potentially exacerbating affordability problems. Developers take a range of factors into account in deciding when to bring new supply into the market.

ADMINISTRATIVE AND GOVERNANCE CHALLENGES

- ▲ **Monitoring and Enforcement:** Ensuring long-term affordability, especially for rental housing, requires ongoing monitoring and robust governance. Experience shows that where monitoring is weak, affordable units may drift back to market price over time. Requiring that inclusionary zoning-generated units are in public or community housing ownership is an insurance against the risk that compliance with affordability requirements may lapse over time.
- ▲ **Complexity and Resource Demands:** Depending on scheme design, inclusionary zoning requirements and compliance monitoring requires dedicated planning and housing staff.

1

POLITICAL AND STAKEHOLDER DYNAMICS

- ▲ **Industry Opposition:** Developer groups and some property owners may oppose mandatory inclusionary zoning by arguing it acts as a “tax” on development, reduces land values, or imposes costs that are ultimately borne by homebuyers. However, provided that such arrangements are introduced with a reasonable lead-in time to allow developers to build out sites purchased at pre-scheme prices, any disruption from the introduction of inclusionary zoning should be minimised.
- ▲ **Community Perceptions:** Just as with any planned developments involving public or community housing, there can be opposition from existing residents driven by concerns about density, character, or perceived impacts on property values, which can create political barriers to inclusionary zoning policies.

- ▲ **Negotiation Fatigue:** Where schemes rely on case-by-case negotiation, both councils and developers may experience “negotiation fatigue,” leading to delays, legal disputes, and sub-optimal outcomes.

EMPIRICAL OUTCOMES AND LIMITATIONS

While inclusionary zoning can deliver more public and community homes, these represent a small fraction of total need. In many areas, inclusionary zoning is an “add-on” to market delivery, not a substitute for systemic investment in public or community housing.

There are also concerns about “leakage,” where affordable homes revert to market price after affordability restrictions expire or where public and community homes only occur in lower-value suburbs rather than all areas including those with good access to public transport and services.



1

ADVANTAGES OF INCLUSIONARY ZONING

Despite these challenges, a well designed inclusionary zoning scheme introduced with a realistic lead-in time offers a number of important benefits.

- ▲ **Social Mix and Integration:** Research suggests that mixed-income communities are associated with better educational, health, and employment outcomes for low-income residents, as well as reduced stigma. This can be achieved by locating public and community homes within multi-unit developments or by siting such dwellings within the broader community or by a mix of both.
- ▲ **Mobilising Private Sector Capacity:** Inclusionary zoning leverages private investment and development activity to deliver social outcomes, supplementing public expenditure and reducing pressure on government budgets.
- ▲ **Policy Flexibility:** Inclusionary zoning can be tailored to local circumstances, allowing adjustment of set-aside rates, affordability definitions, and beneficiary groups as economic and demographic conditions change. But with greater flexibility, there is 'more negotiability' with both higher transaction costs for all parties and less certainty.
- ▲ **Value Uplift Capture:** By capturing a share of land value uplift resulting from rezoning or public infrastructure investment, inclusionary zoning ensures that some of the "windfall" benefits of planning permission normally affordable only to relatively high income earners are designated towards ensuring a contribution to people disadvantaged by the market.
- ▲ **Encouraging Partnerships:** The need to deliver and manage affordable housing units can stimulate partnerships between local government, community housing providers, and private developers, fostering innovation and capacity in the sector.
- ▲ **Building an Asset Base:** Where long-term affordability is required, inclusionary zoning can help build a lasting stock of public and community housing, providing security and stability for generations.



1

DISADVANTAGES AND CRITICAL CONCERNS

Inclusionary zoning has advantages but it also has limitations.

- ▲ **Risk of Reduced Housing Supply:** If inclusionary zoning requirements are set too high or applied rigidly in weak markets, they may suppress housing supply. A sufficient lead-in time will influence this outcome.
- ▲ **Cost Pass-Through:** There is debate about whether developers can absorb the cost of housing or whether it is simply passed on to market-rate buyers or land sellers. Over time, land values can be expected to adjust to reflect inclusionary zoning requirements. The price of housing is set by the market. The reality is that developers when saddled with new costs will try to push prices up to maintain their profit margin.
- ▲ **Limited Reach:** With relatively modest set-aside rates and application often limited to new developments or specific precincts, inclusionary zoning alone cannot resolve the scale of affordable housing need in Australia.
- ▲ **Administrative Complexity:** The negotiation, delivery, and monitoring of inclusionary zoning agreements can be demanding, particularly for local governments without dedicated housing expertise. But scheme design can limit scope for negotiability and create greater certainty that is then factored in to viability considerations.



- ▲ **Potential for Social Pushback:** Where public and community housing provision is not consulted on with the community, not well-designed or well-managed, or where eligibility is not transparent, there can be community resistance. This undermines the objective of social inclusion.
- ▲ **Short-Term Affordability:** Time-limited affordability may lead to “leakage” of affordable units into the market, eroding the long-term effectiveness of inclusionary zoning.

1

IS THERE POLITICAL WILL FOR INCLUSIONARY ZONING IN THE ACT?

The ACT Government has set a target for 15% of new land releases for affordable, community and public housing. This target only applies to new greenfield land releases, not all developments.

Scrutiny indicates the target has not led to an increase in public and community housing stock over time. Many blocks identified for public and community housing were not in fact developed for that purpose

The public housing wait list continues to grow.

The ACT Greens and Canberra Liberals both took inclusionary zoning policies to the last election.

ACT Labor did not commit to inclusionary zoning ahead of the election, but the Planning Minister recently committed to inclusionary zoning in his November 2025 Statement of Planning Priorities for 2025-2028.

There is a clear political mandate to progress inclusionary zoning this term.

1

WHAT ARE THE GREENS PROPOSING?

The Greens propose an inclusionary zoning scheme that is built on the principles of simplicity, universality, certainty and low transaction costs.

Inclusionary zoning should be mandatory, not voluntary.

Based on evidence around Australia, a voluntary scheme is unlikely to deliver homes in the current market and any developers who wish to comply may find it uncompetitive to do so.

The Greens want to develop an inclusionary zoning scheme in consultation with the community and stakeholders.

2

DISCOUNT LAND FOR PUBLIC AND COMMUNITY HOUSING.

One of the problems often raised by community housing providers is that they cannot access land at an affordable price to make projects feasible. Housing ACT has also spoken about the difficulty in paying for land for public housing in its current budget allocation.

Section 274 of the Planning Act 2023 provides that the planning authority must not grant a lease other than for market value except in certain circumstances, such as granting land prescribed for the University of NSW.

There is no general exemption in the Act or regulations that allows discount land to be provided for public and community homes at less than market value, and the Housing Minister has said that discount land cannot be provided for public and community housing under current settings.

Providing discount land would assist in new land releases from Government for public and community housing, and whilst only being a small part of the solution it would be helpful in establishing public and community housing in greenfield areas.

Government is now offering lease variation charge discounts for community and affordable housing so discounted land would be consistent with that new policy.

In this environment, should Government provide free or discount land for public and community housing?

3

LEASE VARIATION CHARGES TO SUPPORT PUBLIC HOUSING

The Greens are very supportive of ACT Government’s latest announcement that they will reduce lease variation charges to support community housing.

We note that Housing ACT only pays 50 per cent of the increase in value when it varies Crown leases to add additional housing properties.

Housing ACT provides support for people who are on low/statutory incomes and retains the ownership of properties for extended periods of time.

In this environment, should lease variation charge be waived completely where Housing ACT varies leases to permit the redevelopment of properties to increase the number of public housing properties?



FEEDBACK

The Greens would love feedback on all aspects of this proposed scheme.

We've created a survey you can fill in [here](#) by 30 April



You are also welcome to provide other feedback to CLAY@parliament.act.gov.au





Authorised by Jo Clay for the ACT Greens