

Affordable housing, urban renewal and planning: emerging practice in Queensland, South Australia and New South Wales

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Affordable housing, urban renewal and planning: emerging practice in Queensland, South Australia and New South Wales

authored by

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ACRONYMS

A-SEPP	(NSW) Affordable Rental Housing SEPP
ACT	Australian Capital Territory
AHURI	Australian Housing and Urban Research Institute Limited
AHASU	(Housing South Australia's) Affordable Housing and Asset Strategy Unit
CBD	Central Business District
COAG	Council of Australian Governments
FSR	Floor-space ratio
HAF	(Commonwealth) Housing Affordability Fund
LGA	Local Government Area
LMC	(The SA) Land Management Corporation
NAHA	National Affordable Housing Agreement
NBESP	National Building Economic Stimulus Package
NFP	not-for-profit
NHSC	National Housing Supply Council
NRAS	National Rental Affordability Scheme
NSW	New South Wales
NT	Northern Territory
Qld	Queensland
SA	South Australia
SEPP(s)	(NSW) State Environmental Planning Policy(ies)
Tas	Tasmania
U-SEPP	(NSW) Urban Renewal SEPP
UDA(s)	Urban Development Area(s) (in Queensland)
ULDA	(The Queensland) Urban Land Development Authority
Vic	Victoria
WA	Western Australia

EXECUTIVE SUMMARY

This report reviews and compares emerging approaches to planning for affordable housing in Australia, with a focus on models being applied in urban renewal contexts in Brisbane, Adelaide and Sydney. The report examines the factors that shaped the design and introduction of these models, their effectiveness to date, their integration with other available affordable housing policies, incentives and subsidies, and the potential for them to be made more effective. The research presented here was funded by the Australian Housing and Urban Research Institute (AHURI) and the City of Sydney Council.

Policy context for the study

Delivering affordable housing in urban renewal contexts is one of the key urban growth management challenges facing policy makers in Australian cities. As metropolitan planning has increasingly stressed the need to contain population growth within established urban areas at higher densities, infill development and urban renewal have become important vehicles for new housing supply. However, there are some major challenges associated with affordable housing provision in urban renewal contexts. Renewal processes themselves can bring about the displacement of existing residents as lower-cost housing is lost to redevelopment, stimulating or advancing gentrification. In higher value markets, land values and the costs associated with site assembly and remediation can also increase overall development costs, making the delivery of affordable housing more challenging.

Emerging approaches to planning for affordable housing in Australia

In response to these challenges, there has been increasing use of the planning system to secure affordable housing in Australia in recent years, through a variety of voluntary incentives and mandatory schemes, in the context of the National Affordable Housing Agreement (NAHA) (COAG 2009), and new Commonwealth imperatives to address housing affordability in capital city strategic plans (COAG Reform Council 2009). These initiatives can be categorised as:

- housing supply levers, designed to generate new housing development opportunities by releasing sites for residential development
- barrier reduction strategies to overcome regulatory constraints to developing affordable or diverse homes
- preserving and offsetting the loss of low-cost housing
- incentives to encourage new affordable housing to be built by the private sector (with or without subsidy)
- levers for securing dedicated affordable housing in new development. (Gurran, Milligan et al. 2008)

Across ACT, WA and NT, targets for affordable housing inclusion in new residential release areas have been introduced or foreshadowed, while in NSW and Qld, the focus of planning initiatives for affordable housing has been on existing urban areas. In SA, practice is mixed, with dual approaches applying across all new development and redevelopment settings, in the context of a state-wide affordable housing target of 15 per cent.

Approaches to planning for affordable housing in urban renewal contexts are currently most advanced in Qld, SA and NSW.

Queensland

The Queensland Government has pursued site-specific affordable housing initiatives in recent years under the auspices of its Urban Land Development Authority (ULDA), established in 2007. The ULDA has applied a combination of land supply, barrier reduction, affordable housing incentivisation and inclusionary zoning to large renewal sites in Brisbane.

South Australia

In 2006, landmark amendments to South Australia's *Development Act 1993* enabled local plans to include provisions for affordable housing. This operationalised a state affordable housing target announced in 2005, for achieving 15 per cent affordable housing in new development areas, including 5 per cent high needs housing. The planning provisions were initially restricted to the redevelopment of government sites, but are increasingly applied when major new residential areas are released or rezoned to allow higher density development.

New South Wales

The government introduced State Environmental Planning Policy (SEPP) (Affordable Rental Housing) in 2009, incorporating a number of existing provisions relating to retention or provision of low-cost or special needs housing, as well as some measures to encourage affordable housing development, including a streamlined planning process and density bonuses. The City of Sydney has also sought to secure affordable housing on urban renewal sites through inclusionary zoning and negotiated planning agreements.

Research approach

Within this evolving policy environment, this research aimed to review and assess emerging approaches to affordable housing inclusion in urban renewal areas, focusing on examples from Sydney, Adelaide and Brisbane. The specific questions guiding the research were:

1. What is the current state of Australian practice in planning for affordable housing inclusion within urban renewal contexts?
2. What factors impact on the translation of planning led incentives that have been used to generate affordable housing supply within renewal areas of Brisbane, Adelaide and Sydney?
3. What is the relative effectiveness of these various approaches to planning for affordable housing?
4. How do these approaches integrate with other Commonwealth, state or local investments or subsidies for affordable housing and how might they do this better?
5. What are the policy implications in terms of more effective outcomes through better integration of planning and housing policy in urban renewal contexts and more widely?

Sydney, Adelaide and Brisbane were selected for the study because each offered potential to review approaches that:

- are specifically applicable to urban renewal contexts
- demonstrate the use of different planning levers
- are already in place, so offer some opportunity for reviewing outcomes achieved to date.

In each city, a series of case study schemes were identified to allow detailed assessment of each approach in practice, as well as their development outcomes.

Following a comprehensive scoping exercise across the three states, the following case studies were selected for the study:

- Brisbane: Northshore Hamilton, Bowen Hills and Woolloongabba Urban Development Areas.
- Adelaide: Cheltenham Racecourse, Woodville West and Bowden.
- Sydney: Harold Park, Telopea and Ermington.

Once the case studies had been selected, the team used a mix of qualitative and quantitative methods to address the research questions. Literature and practice in planning for affordable housing was reviewed and semi-structured interviews were undertaken with local and state government officials, for-profit and not-for-profit (NFP) developers and special interest groups in each city. The team also analysed quantitative and qualitative data on case study scheme outcomes to date (dwellings delivered, type, financing etc.).

Key findings

Australian practice in planning for affordable housing

The review of national practice found that:

- Most Australian jurisdictions have introduced specific planning initiatives for affordable housing since 2008. Nationally, there is a focus on supporting the growth of a new affordable housing sector and the potential role of the planning system in facilitating access to development opportunities for affordable housing providers.
- There is increasing use of government land or development authorities to facilitate land for housing supply in urban renewal contexts, with varying levels of mandate for including dedicated affordable housing for low and moderate income earners as well as wider affordability goals.
- At least three jurisdictions (NSW, Qld & SA) have introduced planning system incentives or bonuses to encourage affordable housing development, and this is foreshadowed in Western Australia (Housing WA 2010).
- Five of the eight Australian states and territories refer to affordable housing, or housing diversity in their overarching planning legislation, opening the door for affordable housing to be considered when plans are made and proposals assessed, although further work is needed to operationalise specific planning mechanisms in most instances.
- Nationwide, this study has identified at least 20 specific urban renewal sites on which the planning system has contributed to the procurement of affordable housing for low and moderate income earners to rent or purchase. In NSW, a total of 3964 affordable dwellings have been delivered in urban renewal contexts through the planning system from 1995–2012, and schemes in Qld and SA have been steadily gaining traction.

New models identified in this practice review appear to be achieving far more than what might be termed Australia's "first generation" affordable housing schemes, which for the most part have simply provided a modest revenue for affordable housing development funds via specific development contribution requirements. Rather, the new models ensure that:

- Affordable housing is well located and integrated within the overall development process.
- Affordable housing products are generally more diverse (across the spectrum of low-cost home ownership through to subsidised social housing), which require varying levels of additional subsidy to meet the needs of target groups.
- The planning process is contributing to the overall strategy of supporting and growing Australia's affordable housing sector.

Design and Implementation

Analysis of individual schemes in renewal areas of Adelaide, Brisbane and Sydney highlighted several design and implementation factors that may influence the delivery of affordable housing for low and moderate income households.

Overall, in designing planning schemes for affordable housing within urban renewal contexts, a simple and consistently applied overarching policy framework (i.e. a state mandated target), supported by flexible delivery options, appear most likely to deliver a steady supply of affordable and market housing over time. Flexibility in the implementation of schemes may include:

- Varying affordable housing thresholds or price points in relation to locational criteria (e.g. residents may be able to afford higher housing payments in well located areas where transport costs are lower).
- Adjusting affordable housing obligations according to the availability of subsidies and other financial incentives or resources.
- Consideration of more flexible approaches to affordable housing design and construction, particularly in relation to affordable home purchase.

Across the taxonomy of potential planning levers for affordable housing, most approaches appear to be more effective when situated within an overall state or local level affordable housing target.

Dedicated government land development authorities are increasingly responsible for project management on large and complex urban renewal sites. This presents major opportunities in terms of accelerating the delivery of affordable housing supply, provided that clear affordable housing expectations and mechanisms for procurement are established prior to, or during, the master planning phase.

Beyond specific government-led urban renewal schemes, the principle that affordable housing must be delivered as part of new residential development (within new and renewal contexts) appears to have been accepted by the industry in South Australia, where the affordable housing target of 15 per cent of dwellings has been in place since 2005, but steadily implemented over time. Here, the capacity to draw on other government funds and incentives for affordable housing development has contributed to this acceptance.

Clarity around scheme operation is also important, with developers involved in this study regarding the models in place in South Australia and Brisbane as providing certainty about their obligations and requirements. By contrast, certainty has been undermined in NSW with changes made to the operation of the A-SEPP a year following its introduction.

Local acceptability of schemes appears greatest when the planning mechanism for delivery of affordable homes is embedded within a local planning instrument or decision making process. Nevertheless, ensuring some universality of planning expectations for affordable housing may become important in the future. International

research suggests that when affordable housing expectations are not applied comprehensively across similar housing sub markets, there is potential for developers to avoid localities with affordable housing requirements in place (Schuetz, Meltzer et al. 2011).

There is a danger in establishing undifferentiated planning and financial incentives for affordable housing development, which may result in additional affordable housing that may have been delivered by the market anyway or in locations where there is no unmet demand.

Measuring effectiveness

It proved difficult to measure the relative effectiveness of different approaches to planning for affordable housing in Brisbane, Adelaide and Sydney, both because of data scarcity at these early stages of implementation, and because of the different criteria against which effectiveness can be measured. However, while it is premature to evaluate the overall impact and relative effectiveness of the various approaches being applied, it is clear that significant numbers of affordable housing units have already been secured on urban renewal sites through planning-led approaches. The study also found that:

- Beyond figures for dwellings approved or delivered, the effectiveness of an approach can also be measured by its impact on development viability and the degree to which the housing delivered matches housing needs. The capacity to secure new opportunities for affordable housing development in the right location and the overall impact of the approach on housing supply are also important considerations.
- Current approaches to planning for affordable housing reviewed in this study emphasise not harming development viability. Although housing needs assessments have informed policy and practice in Brisbane and Adelaide, most of the affordable housing delivered to date in these two cities has been one and two bedroom dwellings at or near market value, reflecting development viability considerations rather than the full range of housing needs.
- Increasing the involvement and capacity of NFP housing providers can increase the ability for the government to 'step back' from its traditional roles in the delivery of affordable housing, and the NFP sector can play a key role in delivering affordable housing through the planning process, reducing risks associated with private residential development and addressing local housing needs.

Degree of integration with other policies and programs

The study found that there is an increasing shift towards "cross leveraging" planning system opportunities with other incentives and funding for affordable housing development.

Government funding was expected in almost all the case studies, most often through the Nation Building Economic Stimulus Program (NBESP), the National Rental Affordability Scheme (NRAS) and the Housing Affordability Fund (HAF). In some cases, a combination was needed.

State governments have been providing subsidy through the provision or discounting of land, or by taking on some risk or holding costs. State housing authorities have also provided additional funding to NFP providers, either through other grants, title transfers or through resourcing and capacity support. Local government subsidy is currently piecemeal and limited by budget constraints.

Flexibility in the Australian Government programs, which enable funds to be allocated to various stakeholders and various projects, has enabled their integration with the various approaches to planning for affordable housing in Qld, SA and NSW.

A major concern regarding the Australian Government funding sources mentioned above (NBESP, NRAS, HAF) is the uncertainty around their ongoing availability. Further, it appears there are some opportunities lost in failing to tie program eligibility to affordable housing mechanisms in state and local planning frameworks, which would better target investment to locations where affordable housing is needed but might not otherwise have been provided.

Policy implications

A number of policy implications arise from the study:

There is an increasing convergence of housing and urban policy objectives in Australia's urban renewal contexts. One example of this has been the resurgence of government land development organisations, reinstating a positive role for governments in the planning and development process, with emphasis on housing supply and affordability. In many jurisdictions, there is potential to extend these affordability objectives to include a more explicit affordable housing charter.

In establishing a policy and legislative framework for affordable housing inclusion, a number of different levers may be needed at the local level – ranging from housing supply levers, to barrier reduction strategies, incentives, and mandatory requirements. While many jurisdictions have provisions under state planning legislation to address affordable housing through the planning process, in practice there are many operational constraints, meaning that planning for affordable housing inclusion remains the exception rather than the rule.

Planning mechanisms alone (either mandatory or voluntary) are generally insufficient to secure a significant supply of affordable housing in high value urban renewal or infill contexts without additional resources in the form of land dedication or government funding. Therefore, flexibility in the design and implementation of schemes is generally required to accommodate different funding and cost offsetting opportunities that may arise. It will also be important to monitor the viability of schemes over time and to adjust delivery expectations or funding provisions accordingly.

Approaches to planning for affordable housing are unlikely to deliver immediate returns and require housing (for-profit & NFP) developers to adjust to them. It is therefore important that new initiatives are given time to settle and become established. A 'slow and steady' approach may help in the early stages of an initiative's implementation, whereby targets and or requirements increase progressively over time.

The case studies suggest that current planning mechanisms to secure affordable housing are generally complementing, rather than undermining, overall attempts to facilitate the delivery of new housing supply during urban renewal processes. However, the feasibility scenarios tested in a series of different market locations suggest that such outcomes will remain contingent on the availability of other resources to meet the 'subsidy gap' between what is able to be funded by planning 'gain' and delivered to the market at a price affordable to particular target groups.

1 INTRODUCTION

Urban renewal—redeveloping and enhancing underutilised or disadvantaged urban areas—provides major opportunities and challenges for Australian urban policy. Containing population growth within existing urban areas through higher density housing forms has become a central goal of metropolitan planning, both in Australia and internationally (Boyle & Mohamed 2007; Altes 2009; Bunker & Searle 2009). Renewal strategies can support such containment, maximising the use of existing infrastructure and minimising the need for land conversion on the city fringe, while adding to new housing supply. However, new housing delivered in urban renewal contexts is not necessarily affordable to those on low and moderate incomes (Aurand 2010), while poorly designed containment policies may undermine housing supply and affordability more widely (Dawkins & Nelson 2002). This is a major policy concern given Australia's growing shortage of dwellings affordable to low income households, particularly in the capital cities (NHSC 2011).

This study sought to identify and review planning led strategies for securing affordable housing in Australia's urban renewal contexts. A rich body of international practice and research on planning for affordable homes within new and changing communities has evolved over the past three decades (Schwartz & Johnston 1983; Calavita & Grimes 1998; Whitehead 2007; Schuetz, Meltzer et al. 2009), but until recently, comparable Australian work has been limited (Paris 2007). This has begun to change in some jurisdictions as part of a wider policy tilt towards more diversified approaches to housing assistance in Australia (COAG 2009; Milligan, Gurran et al. 2009). In 2008, a benchmark Australian Housing and Urban Research Institute (AHURI) project reviewed this work in relation to international practice (Gurran et al. 2008).

The present study, also funded by AHURI, in partnership with the City of Sydney Council, extends this earlier work. As well as an update of national practice, it focuses particularly on three Australian cities (Sydney, Brisbane & Adelaide), where distinct approaches to planning for affordable housing within urban renewal and new urban areas have emerged. This report is the final research output for the project.

This chapter introduces the wider research and policy context for the study, as well as the research aims, questions, and methodology.

1.1 Policy context

As Australian metropolitan planning policy increasingly emphasises the need to contain new population growth within existing urban areas at higher density (Gurran 2008; NHSC 2010), urban infill, renewal, and the redevelopment of underutilised brownfield sites have become important vehicles for new housing supply. However, in higher value markets, urban renewal processes risk displacing existing residents as lower cost housing is lost to redevelopment and values rise in response to new investment. In lower value urban locations, the gap between the price points needed to generate renewal (what the developer requires) and local housing demand capacities (what households can afford) often means that renewal fails to materialise.

In this project, we define affordable housing with reference to very low, low, and moderate income earners. Consistent with the definition applied by the National Housing Supply Council (NHSC), affordable housing is that available to these income groups to rent or purchase without exceeding 30 per cent of their household income (NHSC 2010). As well as housing in the social or not-for-profit (NFP) sector, affordable housing can mean market housing for rent or purchase (subsidised or

otherwise), provided it meets the proportional income criteria (Milligan, Gurran et al. 2009).

Investment in Australia's public housing system has fallen in relative size over the last 30 years and new social housing is increasingly delivered by NFP housing organisations (Wiesel et al. 2012; Australian Government 2010). Recent government initiatives such as the Nation Building Economic Stimulus Program (NBESP), public housing stock transfers, and the National Rental Affordability Scheme (NRAS) have created new opportunities for these NFP providers to expand their housing stock and asset base. However, while many have grown significantly as a result, the sector as a whole remains small and there are currently no fixed funding models to support its continued growth in the medium and long term. With the likely absence of direct investment by governments in new social housing development in the near future, and with no predictable source of government funding for the NFP housing sector, the planning system is increasingly seen by policy-makers as a key mechanism for securing affordable housing provision through the development process.

The role of affordable housing can be positioned as a central component of an integrated renewal approach bringing together housing, planning and social infrastructure strategy and investment (Parson 1982; McGovern 2006). However, in practice there has been much scrutiny over the actual benefits of planned renewal projects for low income and disadvantaged groups who risk displacement as their neighbourhoods redevelop (Larsen & Hansen 2008; Gilbert 2009; Norris & Gkartzios 2011).

Including explicit planning provisions to secure affordable housing during urban renewal processes has therefore become important, although the success or otherwise of planning policies varies significantly by the nature and operation of local housing markets (Lawhon 2004; Schuetz et al. 2011) as well as the governance frameworks which provide (or not) the necessary certainty and consistency needed to minimise risks for developers (Calavita & Mallach 2010). Other challenges impact upon the structure, viability and likely acceptance of intended policy settings. For instance, in high demand market locations, land value and costs associated with site assembly and negotiating complex conditions add to development costs (Whitehead 2007), meaning that additional affordable housing requirements may compromise project viability (Novak 1993; Crook 1996).

In Australia such concerns may explain traditional policy ambivalence towards the imposition of planning requirements to secure affordable housing through the development process (Greive et al. 1999; Productivity Commission 2011). However, several urban and housing policy developments imply a far greater use of the planning system in future. For instance, the introduction of the new National Affordable Housing Agreement (NAHA) in 2009, which signified a wider approach to conceptualising and addressing housing assistance, and new incentives for encouraging more affordable housing supply provided by the NFP and private sectors, such as NRAS, represent new opportunities for supporting the sector through complimentary planning mechanisms (Milligan, Gurran et al. 2009). The establishment of the independent NHSC, providing ongoing data on Australia's housing supply and affordability trends, and the growing shortage of housing affordable to those on low and moderate incomes (NHSC 2010), represents a new evidence base to inform state and local government urban policy and planning frameworks. Finally, the states and territories are increasingly accountable to the Council of Australian Governments (COAG) with requirements to report against the promotion of affordable housing within capital city planning frameworks (COAG Reform Council 2009).

1.2 Research aim and questions

Within this evolving policy environment, this project aimed to review and compare emerging approaches to affordable housing inclusion in urban renewal areas, focusing particularly on examples of models being established in Sydney, Adelaide and Brisbane. The purpose of the research was not to ask whether planning should be used to secure affordable housing provision (e.g. by modelling a range of policy-on/policy-off development scenarios), but to examine the extent to which existing policies were delivering affordable housing and how they might be made more effective. In particular, we sought to understand whether there were opportunities for current affordable planning policy initiatives at state and local levels to be better integrated with Commonwealth affordable housing policy.

The specific research questions were:

1. What is the current state of Australian practice in planning for affordable housing inclusion within urban renewal contexts?
2. What factors impact on the translation of planning led incentives that have been used to generate secure and sustained affordable housing supply within renewal areas of Sydney, Adelaide and Brisbane? Specifically:
 - How many affordable housing units have been delivered under each mechanism and in which locations?
 - What is the balance between rental and home ownership, and between affordable housing units owned in perpetuity versus time limited management arrangements?
 - How appropriate is the housing achieved in terms of location, design, and fit with priority needs?
3. What is the relative effectiveness of these various approaches to planning for affordable housing? Specifically:
 - impact on development viability
 - effectiveness in different housing market, development sector, and provider contexts
 - contribution to increased housing production
 - quantity and proportion of affordable housing achieved
 - efficiency and value in comparison to other approaches to affordable housing inclusion used in Australia or internationally.
4. How do these approaches integrate with other Commonwealth, state or local investments or subsidies for affordable housing and how might they do this better?
5. What are the policy implications in terms of more effective outcomes through better integration of planning and housing policy in urban renewal contexts and more widely?

1.3 Research approach

The research approach combined qualitative and quantitative approaches to data collection and analysis. As discussed below, a review of current national and international research and practice in planning for affordable housing, particularly within urban renewal contexts, was a first step in the research process. Secondly, nine case studies across the three Australian cities (Sydney, Adelaide & Brisbane) were undertaken. The case studies involved reviews of relevant legislation and policy

applying to each jurisdiction, interviews with relevant local and state government officials, for-profit and NFP developers, and representatives of affordable housing associations, and assembly and analysis of specific data on case study scheme designs and outcomes.

1.3.1 Review of current national/international state of practice in planning for affordable housing

The literature and policy review in Chapter 2 provided the basis for exploring the range of Australian and international approaches to planning for affordable housing, updating work undertaken for the AHURI Report *New directions in planning for affordable housing* (Gurran, Milligan et al. 2008). A second purpose of the review was to inform the selection of appropriate case studies for the research, and to allow us to position the selected case studies in their broader policy and developmental context. From the review, it was clear that current approaches to planning for affordable housing varied considerably in terms of their scale, context and drivers, the planning mechanisms used to secure affordable housing provision, affordable housing outcomes and levels of policy integration. These variables were used as a basis for identifying case studies.

1.3.2 Selection of case study jurisdictions

Three Australian cities were selected for specific examination (Brisbane, Adelaide & Sydney) because they presented an opportunity to examine distinctly different planning approaches to affordable housing inclusion across a range of urban renewal contexts:

The Urban Land Development Authority (ULDA) in Queensland, established in 2007, has set targets for affordable housing inclusion within certain urban renewal sites in Brisbane, to be achieved through a combination of planning requirements, density bonuses and the reinvestment of surplus funds generated through the redevelopment process.

In South Australia, planning mechanisms requiring up to 15 per cent of major residential development and redevelopment projects to be available for affordable housing were introduced in 2006, and the first schemes are now being implemented.

The City of Sydney has used planning powers to support affordable housing inclusion within a major inner city redevelopment site, and the NSW Department of Planning's State Environmental Planning Policy (SEPP) (Affordable Rental Housing), introduced in 2009, has sought to incentivise affordable housing development for private developers.

We then examined the operation of these models through more detailed case study projects; three in each city.

1.3.3 Selection of case study projects

A user group was convened in July 2011. The user group comprised executive representatives of state housing departments and local government in Qld, SA and NSW. The user group members were asked to suggest possible case studies in their states demonstrating the use of planning mechanisms in the delivery of affordable housing, and meeting the following criteria:

- Projects where planning processes had been, or were being, used to secure affordable housing provision in urban renewal contexts.
- Projects that had been initiated or approved since the 2008 AHURI study *New directions in planning for affordable housing* (Gurran et al. 2008) was published.

- Projects with extant planning approval, ideally with redevelopment complete or underway at the time of the research.

The aim was to identify case studies from each state that together demonstrated the use of varying approaches to planning for affordable housing, across different contexts. Following the user group meeting, the research team undertook a scoping exercise to obtain more detailed information on suggested cases, and to identify other potentially suitable projects.

Emphasis was on selecting cases demonstrating different approaches to planning for affordable housing. This meant that in Queensland, the focus was on sites where the ULDA had been involved. In South Australia, we sought to identify urban renewal sites in Adelaide where new affordable housing planning provisions (under the *South Australian Development Act 2005*) had been applied; both on private and government-owned land. In Sydney, our goal was to select case studies that provided opportunities to review the implementation of the Affordable Rental Housing SEPP and other planning approaches used recently by the City of Sydney to secure affordable housing provision. A minimum of four suitable case studies were identified for each state.

1.3.4 Project variables

Once the scoping exercise had been completed, an additional set of project variables was used to determine which of the potential projects were likely to generate the most useful data. Reflecting key themes arising from the literature (see Chapters 2 & 3), we sought cases demonstrating variation across the following key areas:

- Planning mechanisms used: we sought to review and assess as many different approaches as possible.
- Project drivers: we sought a mix of government-driven and privately-initiated projects.
- Land ownership: we sought examples on both publicly and privately owned land.
- Context: we sought cases situated in a variety of contexts because housing sub-market location can affect the feasibility of particular planning mechanisms for affordable housing.

Three case study projects were selected from each state, using the above-mentioned variables to ensure as broad a cross-section of types as possible (Table 1).

Table 1: Case studies for the research, summarised against key project variables

	Project / site name	Scale / Context	Land owner	Mechanism	Drivers
Qld	Northshore Hamilton	304ha site 6km from Brisbane CBD	Government and private land	Inclusionary zoning, density bonuses, shared equity	ULDA/private developers
Qld	Bowen Hills	108ha site 3km from Brisbane CBD	Private land	Inclusionary zoning	ULDA/private developers
Qld	Woolloom-gabba	10ha site 2km from Brisbane CBD	Mostly government owned land	Inclusionary zoning	ULDA/private developers

	Project / site name	Scale / Context	Land owner	Mechanism	Drivers
SA	Cheltenham Racecourse	49ha site 10km from Adelaide CBD	Private land	Inclusionary zoning	Local / state government, private developers
SA	Woodville West	13ha site 10 km from Adelaide CBD	Mostly government land	Development Plan Amendment	Housing SA
SA	Bowden	16ha site 2.5km from Adelaide CBD	Government land	Inclusionary zoning	LMC
NSW	Harold Park	10.5ha site, 2.5km west of Sydney CBD	Private land	Negotiated agreement	Land owner – rezoning for sale
NSW	Telopea (HNSW project)	3285sqm site; 23km NW of Sydney CBD	Government land	Density concessions and self-approval	Housing NSW
NSW	Ermington (Private sector project)	1400sqm site; 19km NW of Sydney CBD	Private land	Land use and density concessions	Private developer

1.3.5 Data collection and analysis

Empirical data collection involved both documentary analysis of planning legislation, policy documents and reports as well as semi-structured interviews and site visits. For each of the three states, interviews were arranged with representatives of state housing and planning departments, local government authorities, private developers and the NFP sector—a total of 36 people were interviewed; 14 in Qld, 12 in SA and 10 in NSW. Interviews were recorded and transcribed. The following information was sought for each case study, either from interviews or from the review of documentary evidence:

- affordable housing definition used for the project
- volume and type of affordable housing achieved
- total size and number of dwellings in development
- tenure mix of affordable housing
- size and bedroom configuration of affordable housing / remainder of project;
- planning requirements / incentives used
- any additional concessions during assessment process
- other subsidies / programs associated with the project
- role of state / local government.

We also looked at how the development of affordable housing had been financed for each case study project; through savings in design and construction methods, financial incentives for affordable housing, a reduction in profits for developers, government subsidy or some other form of savings or subsidy. From this data we constructed a series of hypothetical scenarios to assess the relative effectiveness of

different approaches to planning for affordable housing, as well as the extent to which planning mechanisms may meet the funding gap under different conditions or funding arrangements (see Chapter 7).

1.3.6 A note on viability modelling

As discussed above, the principal aim of the research was not to model the viability impacts of planning for affordable housing through the use of policy-on/policy-off scenarios, but to look at how existing approaches in Qld, SA and NSW have been operating to deliver affordable housing in practice. In this sense, we did not ask whether planning should be used to secure affordable housing, but how the policies that are already in place had worked so far, and how they could potentially be made more effective. Our view was that the experienced effects of each policy on development viability could be assessed through a study of their operation in practice. If the affordable housing requirements set out in a particular policy had indeed compromised the viability of development, then this would be reflected in interviews with developers and in a lack of development activity and affordable housing delivered on the ground.

The decision to approach viability in this way was also influenced by the difficulties we experienced in getting even the most basic financial data from developers and the fact that the policies being studied applied across such a wide range of development contexts. In the latter respect, because viability models are intimately tied to the specifics of a site, a research finding indicating that a particular policy compromised development viability on one site does not necessarily signal that it would have the same effect somewhere else. Instead, we took the view that if a planning policy had already operated in practice to deliver affordable housing, as all of the models being studied in this research had, then that policy must not compromise viability in at least some sites.

Readers interested in the site-specific impacts of planning for affordable housing on development viability are referred to a recent study commissioned by the Sydney Inner City Mayors Forum (2011). Undertaken in parallel with the present research, the Inner City Mayors Forum study sought to examine sites where changes to local planning controls might be used to create a land value uplift that could be captured for the delivery of affordable housing. The study involved the identification of a range of sites as 'test' cases. For each site, an assessment of local housing markets was undertaken and the financial feasibility of affordable housing provision under different planning controls and design scenarios was tested, taking into account issues such as land ownership, location, built form characteristics, car parking, and current planning and heritage controls. The study found that certain sites lend themselves to yielding affordable housing more than others; those in single ownership, zoned residential, between 1000–10 000sqm, and where the market and planning authorities are ready for change. The study also makes a series of detailed recommendations to assist with the identification of appropriate sites for affordable housing provision and the use of local planning controls to facilitate its delivery.

1.4 Report structure

Chapter 1 has described the research and policy context for the study, as well as the study aims, research questions and approach. The next chapter sets the conceptual framework for the study, reviewing key literature on urban renewal, affordable housing and planning. As well as positioning this study in relation to the wider body of research on urban renewal processes and their impacts on local housing outcomes, this chapter draws on and updates the review of international literature on planning for affordable housing originally published by AHURI in 2008 (Gurran et al. 2008).

Chapter 3 also builds on the 2008 benchmarking study, in reviewing practice developments in planning for affordable housing across the Australian states and territories. Chapters 4-6 discuss the case studies in the three states in turn (Qld, SA & NSW). Chapter 7 then compares and contrasts the approaches used in each of the three jurisdictions, considering their relative effectiveness. Finally, Chapter 8 highlights the key findings of the research and the policy implications and priorities for enhancing affordable housing outcomes in Australian urban renewal settings and more widely.

2 URBAN RENEWAL AND AFFORDABLE HOUSING INCLUSION: AUSTRALIA IN INTERNATIONAL CONTEXT

There is a long and growing literature on urban renewal and associated strategies for urban change. In simple terms, 'urban renewal' describes the cumulative physical redevelopment of existing urban areas (Roberts 2005), undertaken to optimise under-utilised sites or precincts. As cities evolve, spatial functions change over time, prompting a cycle of development, and, often, redevelopment. When several buildings or sites across a precinct or neighbourhood undergo redevelopment, a wider process of value uplift and 'gentrification' is often activated (Newman & Ashton 2004). 'Gentrification' can be understood as a cluster of social and economic processes associated with urban change, including improved physical amenity, appreciation of house prices and rents, as well as the loss of low-cost accommodation, and displacement of lower income groups (Shaw 2008). These consequences are a key rationale for embedding affordable housing considerations when planning for urban renewal.

This section of the report reviews the international literature on urban renewal and potential housing implications. It also summarises the international literature on planning for affordable housing, emphasising the different models that have emerged, key design features, and available evidence of impact in different urban contexts.

2.1 Understanding urban renewal

In contrast to the more market driven process of gentrification, 'urban renewal' implies a more deliberately planned approach to change, if no less problematic (Gilbert 2009). Early 20th century urban renewal projects were undertaken to eradicate spatial concentrations of social disadvantage and poverty, focusing on inner city 'slums' (von Hoffman 2009) and, later, public housing estates. Slum clearance has been widely criticised for undermining community life and the urban vitality of cities (Mennel 2011). Similarly, public housing estate renewal projects have been criticised for focusing on physical design at the expense of complex social problems (Hanlon 2010; Crump 2002). Contemporary urban renewal processes within public housing estates now seek to embed community participation and social sustainability in project design (Wood, Randolph et al. 2002).

By the 1990s, urban renewal had become a key strategy for containing urban growth within existing areas in Australia and many other countries (Burke & Hayward 1992). By consolidating and intensifying development on well located, under-utilised sites, it was presumed the pressure for new development on the urban fringe would be reduced. However, the strategy of urban containment has been much contested since this time, with claims that growth management undermines wider affordability by introducing a supply constraint (Anthony 2006; Landis 2006), while displacing lower income groups in inner areas as they undergo redevelopment and gentrify (Larsen & Hansen 2008; Norris & Gkartzios 2011).

In the United States, renewal activities have focussed largely on de-concentrating poverty in inner city areas, through the redevelopment of public housing estates (Parson 1982; Hanlon 2010; Goetz 2011), as well as increasing development around new public transit facilities as a way of reducing urban sprawl (Kahn 2007). In the United Kingdom, the focus has been on achieving ambitious targets for new housing development within existing urban areas, necessitating a major emphasis on 'brownfield' sites (Whitehead 2007). Regeneration strategies have also been used in

rural areas. In both these nations, as in Australia, governments have been active in supporting urban renewal as strategy for the supply of diverse, well located housing, through a number of specific approaches:

- designating sites / precincts for higher value development potential (as a planning authority)
- upgrading of transport infrastructure or public facilities (as a public developer & infrastructure provider)
- taking an active role in site acquisition and assembly (as a public developer)
- involvement in overall planning, co-ordination, and delivery (as a hybrid planning & development agency).

The literature points to several specific difficulties associated with urban renewal processes in comparison to development in 'greenfield' locations. Firstly, sites in existing urban areas are often more complex and risky to assemble and develop, due to issues such as site contamination, transport and access, and surrounding uses (Whitehead 2007). They are often higher in value due to their accessibility, making land acquisition costs prohibitive. Higher density development is more expensive and can be difficult to finance (NHSC 2011). There may also be community concern over the scale and nature of the development (Ahlfeldt 2010). Of particular significance to this project are the direct or indirect potential for impacts on affordable housing, and the wider risks of community displacement (Varady 1986; Tol, Klein et al. 2008).

While not of direct relevance to this study, a growing body of work challenges some of the anticipated social benefits of renewal strategies that focus on disadvantaged areas, such as areas with a high concentration of social housing (Cameron 2003; Slater 2006; Darcy 2010). In particular it is argued that social mix, a purported benefit of urban renewal strategies, means little more than different forms of housing tenure co-existing within a particular locality (Lees 2008), while public housing renewal programs are often driven by financial, rather than social objectives. Such work provides an important critique of the wider social mix discourse (Lees 2008). Within this context, strategies to prevent displacement of existing residents who might otherwise be forced out through the redevelopment process remain central (Slater 2006).

Finally, it is important to note that within an overarching planning policy orientation favouring urban containment through the repurposing of under-utilised sites within existing urban areas, the degree of direct government involvement in urban renewal processes varies. In some cases, renewal processes are largely driven by the public sector, using a variety of direct intervention strategies (i.e. in the case of public housing redevelopment, development on public land or infrastructure investment), while in other contexts urban renewal processes are fuelled by private sector activity, often with some facilitation via regulatory planning levers.

2.2 Urban planning systems and affordable housing

Land use planning systems establish the governance framework for managing processes of urban development and change. A form of government intervention in the property development process, legally enforceable regulations on land use provide a way of managing the spillover effects of development activity (or 'externalities') to minimise negative impacts and maximise positive benefits for the wider community (Barker 2006). Other important reasons for planning include the need to coordinate provision of shared public and private services; the need to provide information about intended development patterns, so that individual actors are able to make informed decisions about their investment decisions; and the need to

ensure that all members of a community can participate in decisions about its future growth and change (Klosterman 1985). The land use planning system also provides a way of overcoming blockages to essential development, or market distorting behaviour (i.e. monopolistic actions by developers or landholders); and a way of securing funds for shared infrastructure (Bramley et al. 1995).

An overarching normative goal of urban planning is to promote socially fair outcomes in urban development (Talen 1998). This means that no group or individual should be disadvantaged by development processes, and that all community members should have relatively equal access to work, education, services, and recreation (Klosterman 1985). Ensuring that different socio-economic groups can access appropriate and affordable housing within new and changing communities is an important indicator of social fairness in urban development.

2.2.1 Planning system functions

The operation of planning systems, and the degree of government intervention in the process of urban development and change, differs around the world (White & Allmendinger 2003). Planning systems reflect and incorporate wider urban and regional policy goals of government, but a primary implementation tool lies within a statutory framework for designating spatial rules for the future use of land. In addition to this regulatory arm, in many nations public planning also involves the identification and assembly of land (particularly in strategic locations) and investment in major physical and community infrastructure, all of which has major implications for private sector development (Healey & Williams 1993). It is important to understand how such approaches differ in different contexts, as a basis for understanding the different levers available to governments in guiding processes of urban change.

Australia's planning laws derive largely from the UK, which is characterised by a strong strategic policy framework and a system of nationalised development rights. In practice, this means that, in the UK, all planning decisions are discretionary and "merit" based, so that the right to develop a particular parcel of land is only fixed when planning approval is granted (Gurran & Whitehead 2011). The consequent uplift in land value arising from permission to develop is described as "planning gain" in the UK, and has long been taxed to help fund infrastructure and affordable housing under section 106 of the *Town and Country Planning Act* (Crook & Whitehead 2002).

By contrast, under the federal system of government in the US, responsibility for planning is delegated to the states, and a variety of legal planning systems have emerged (Cullingworth & Caves 2009). Most of these systems use a more codified approach to development regulation than that of the UK, with functional land use zones defining what can and cannot be done on a parcel of land. While providing a degree of certainty for landowners, land use zones and associated development controls enshrined in local ordinances, became a key instrument of discrimination and racial segregation in the early and mid-20th century (Fischel 2004). For instance, by zoning areas for single family homes, on large allotments, local authorities in the US were able to exclude those unable to afford such dwellings (Medford 2004). Despite strong policy attempts to address and remove persistent regulatory barriers to diverse and affordable housing forms, restrictions continue to exist in many jurisdictions (Department of Housing and Urban Development 2005). In this context, 'inclusionary' zoning is seen as a response to such exclusionary practices (Schuetz, Meltzer et al. 2009).

Australia's planning systems are also managed by the states and territories, and there are significant differences in planning law across each of these jurisdictions, as discussed further in the following chapter. However, overall Australian planning can

be understood as an amalgam of the UK and US traditions, with the concept of discretionary “merit” based decisions underpinning the development assessment system, particularly for more significant proposals (Gurran 2011). Nevertheless, land use zones form the basis of much Australian planning law (thus establishing implied development entitlement relating to uses permitted within a particular zone), and there is a growing trend towards standardising regulations including many forms of residential development (Productivity Commission 2011).

2.2.2 Planning and potential housing impacts for disadvantaged groups

A rich literature explores how government intervention in processes of urban development and change has precipitated or exacerbated the housing problems of disadvantaged groups (Jacobs 1964; Bailey & Robertson 1997; Medford 2004; Slater 2006). It is helpful to conceptualise such problems arising through the planning process in relation to three key functions of planning systems—‘development plans, development promotion, and development control’ (after Healey & Williams 1993 p. 702).

Table 2: Planning system functions and potential implications for housing disadvantage

Planning system function	Description	Potential housing implications for disadvantaged groups
Development plans / plan making	<p>Land use plans to implement spatial policy for a city or region, including legally enforceable regulations governing the organisation of land uses.</p> <p>Includes designating certain areas for development / redevelopment. In Australia and the US land use zoning is a major lever for implementing spatial policy through plan making.</p>	<p>Displacement</p> <p>When permissible land uses change, property values usually rise to stimulate the preferred development. This affects the availability of low-cost housing.</p> <p>Exclusion</p> <p>When land use regulations prevent diverse housing forms, groups with particular housing needs are unable to access appropriate or affordable housing, and so are excluded from particular communities.</p>
Development promotion	<p>Forms of direct intervention to stimulate or enable development, such as land assembly, coordination or provision of basic infrastructure (such as roads, open space, and utilities). In some cases this function includes direct construction or development of public facilities such as municipal buildings, hospitals, schools, universities, transport infrastructure, or public housing.</p>	<p>Inclusionary</p> <p>In some cases direct public sector development activity results in new housing opportunities for disadvantaged groups (such as public or social housing). Government investment in urban development also provides an opportunity to ensure more universal access to facilities.</p> <p>Displacement</p> <p>However, when government investment in new infrastructure triggers property value uplift and subsequent processes of gentrification, disadvantaged groups may be displaced unless other mechanisms have been implemented to ensure ongoing access to affordable housing.</p>

Planning system function	Description	Potential housing implications for disadvantaged groups
Development control	Implementation of planning rules dictating the location and intensity of development; assessing specific proposals against these rules; and specifying particular conditions of planning approval.	<p>Exclusionary</p> <p>There is potential for housing discrimination to arise during this phase of the planning process, with local residents objecting to developments on the basis of environmental impacts (scale, appearance). Research shows that public or social housing projects are often opposed during this phase of the planning process (Tighe 2010).</p> <p>Inclusionary</p> <p>Sometimes particular conditions are established to offset the housing impacts of certain developments, including the direct loss of low-cost housing (Gurran, Milligan et al. 2008).</p>

As shown in Table 2, planning system functions have been associated with three main housing impacts for disadvantaged groups. Negative outcomes include displacement arising from the loss of low-cost housing during processes of gentrification stimulated by new planning policies or direct government intervention (Jacobs 1964; Goetz 2011) and exclusion arising from intentional or inadvertent development controls that prevent the construction of diverse and affordable housing types (Pendall 2000; Fischel 2004; Ihlanfeldt 2004). However, more positive ‘inclusionary’ housing outcomes can arise from strategies for offsetting the potential loss of low-cost housing and by securing new opportunities to create affordable housing during processes of significant urban change (Calavita & Mallach 2010). To explore these levers in a little more depth, the following section summarises the research and literature on attempts to secure affordable housing through the planning process. While this review is not limited to levers applied in urban renewal settings, implications for urban renewal contexts are highlighted.

2.2.3 Planning for affordable housing

Much of the literature reviewing opportunities for promoting affordable housing through the planning system arises from the US (Calavita & Mallach 2010; Meltzer & Schuetz 2010; Schuetz, Meltzer et al. 2011). There is also a trajectory of work from the UK, where there is traditionally a symbiotic relationship between planning and housing provision within an overarching social welfare context (Monk, Crook et al. 2005; Whitehead 2007; Crook, Burgess et al. 2010). Other contributions refer to models developed in Ireland (Norris 2006) Europe (Milligan 2003; Gilbert 2009) and the Asia-Pacific (Chiu 2007).

Across this work, a set of specific policy arguments for justifying planning intervention for housing outcomes has been distilled (Gurran, Milligan et al. 2008). Many of these policy arguments are particularly relevant to pursuing affordable housing through urban renewal processes, including:

- The need to minimise and offset the impact of planning and residential development processes on the availability of existing low-cost housing (Stone 2006a).

- The need for planning systems to facilitate greater housing diversity, through spatial strategy and through design regulation, to achieve spatial equity and to support economic prosperity.
- The potential to leverage more subsidised housing stock for low income people, in preferred locations, by making affordable housing inclusion a requirement of development (though construction costs and reasonable land acquisition may be met through government incentives and subsidy).
- The opportunity to recapture some of the gain associated with planning decisions, or to create additional gain through incentives, and to apply this profit to achieving public objectives such as dedicated new affordable housing supply.

Against these positive reasons for establishing particular planning settings to secure affordable housing during development processes, it is often argued that the planning system itself exacerbates housing affordability problems (Glaeser et al. 2005). Industry advocates in particular claim that additional regulatory burdens, even to secure affordable homes, will have a negative overall impact on supply and affordability (RDC 2007).

However, the international research generally fails to identify additional price or supply constraints arising because of inclusionary housing requirements, although the way in which requirements are designed and implemented is crucial (Calavita & Mallach 2010). Two new studies provide potentially contradictory positions in this evolving policy debate. In the US, a review of inclusionary zoning programs in San Francisco, Boston and Washington, suggests that both benefits and disadvantages of inclusionary schemes have been overstated in the US and that incentive mechanisms appear to be associated with a slightly higher affordable housing output than mandatory schemes, varying according to market context (Schuetz, Meltzer et al. 2011). The bias towards incentive schemes is presumed to arise because the incentive operates to encourage housing that might not otherwise have been built, although the study is largely silent on whether or not the new affordable housing is being developed in priority locations.

By contrast, new research in the UK suggests that the long standing affordable housing contribution requirements (known as s106 agreements) have delivered a steady trajectory of new affordable homes, to the extent that well performing local areas (in terms of overall new housing production) are also likely to be where higher quantities of social housing is being built (Bramley forthcoming).

It is important to note that much of the international literature on planning for affordable housing is silent on the specific sources of funding for affordable housing development and the interaction between the availability of particular funding sources and the leverage gained through the planning system. These funding sources differ both between and within jurisdictions, often varying by site and development context. They may range from the availability of capital funds for new social housing construction, to financial incentives for institutional investment in affordable rental housing developments, and the dedication of government land for housing development. Funding arrangements also depend on the type and mix of affordable housing delivered, with lower cost home ownership products sometimes able to be delivered without additional subsidy, depending on the local housing market. For a fuller comparative discussion of the interplay between planning mechanisms for affordable housing inclusion, and different government funding arrangements and housing assistance settings, see Gurran et al. (2008).

2.2.4 Planning levers

The 2008 benchmarking study on planning for affordable housing identified a five-fold taxonomy for promoting affordable housing through planning system intervention (Gurran et al. 2008):

- housing supply levers, designed to generate new housing development opportunities by releasing sites for residential development
- barrier reduction strategies to overcome barriers to developing affordable or diverse homes
- preserving and offsetting the loss of low-cost housing
- incentives to encourage new affordable housing to be built by the private sector (with or without subsidy)
- levers for securing dedicated affordable housing in new development.

In Table 3, these are summarised as a taxonomy of planning measures for affordable housing, focusing particularly on measures reported in the wider research and literature as being applied in urban renewal contexts. Against each measure the potential impact on affordable housing delivery is indicated, with 'direct' impacts denoting that the measure procures dedicated affordable housing; and 'indirect' impacts associated with wider housing market outcomes.

Table 3: Typology of planning measures for affordable housing within urban renewal contexts

Strategic objective	Approach / mechanism	Affordable housing impact
Increase land for housing supply within existing urban areas	Land audit of under-utilised sites	Indirect
	Government dedication / acquisition of land	Indirect, unless affordable housing commitment a requirement of dedication
	Land development or renewal authority	Indirect, unless affordable housing part of authority's mandate or charter
	Land acquisition and assembly (sometimes including rehabilitation of contaminated sites)	Indirect
Reduce barriers to affordable housing development	Audit existing controls; assess impact of proposed regulations, to ensure diverse housing types and forms are permissible	Indirect
	Faster approvals for preferred development	Indirect
	Overcome local barriers to affordable housing	Indirect
Preserving and offsetting the loss of low-cost housing	Preserving particular house types at risk / offsetting their loss through impact fees able to support replacement stock	Direct

Encouraging new affordable housing	Planning bonuses / concessions (such as density bonuses, reduced car parking or open space requirements) for affordable housing meeting defined criteria	Direct
	Fast track approvals for affordable housing meeting defined criteria	Direct
	Fee discounts for affordable housing meeting defined criteria	Direct
Securing new dedicated affordable housing	Voluntary negotiated agreements during master planning process	Direct
	Inclusionary zoning - mandatory contributions for all identified development in the zone; introduced when land is rezoned for residential or higher density residential use	Direct
	Mixed tenure requirements – proportion of development in new release areas must be affordable	Direct

Source: derived from Gurran et al. 2008

Land supply

The first of these approaches—increasing the supply of land for new housing development—is an implicit objective of renewal strategies designed to contribute to growth control by intensifying development within existing urban areas. However, because new development is activated by the value implied through planning regulation change (upzoning for more intense use) or new government investment (in infrastructure or amenity), the availability of housing affordable to very low and low income groups is likely to decrease unless additional measures are put in place. This loss of housing affordable for low income groups may be offset by an overall improvement in affordability through the generation of more diverse housing opportunities (such as smaller apartments) (Aurand 2010). However, displacement impacts are still likely unless specific planning system measures or direct government investment are implemented for affordable housing development.

As noted, a number of studies have pointed to the particular difficulties associated with development within existing urban areas, including the challenges of assembling sites under fragmented ownership; issues of land contamination and rehabilitation; and the expenses and complexities associated with higher density development in comparison to detached suburban housing. All of these difficulties mean that special purpose redevelopment authorities are often established to assist in land assembly, rehabilitation, and master planning of urban renewal areas (Fainstein 2008; Hodkinson 2011).

Barrier reduction

Barrier reduction strategies have a strong history in suburban contexts where restrictive planning controls maintain strict homogeneity in housing design, preventing more diverse forms suitable for lower income householders, renters, and those with other particular housing needs (Cowan 2006). Essentially they target local regulatory barriers that prevent construction of low-cost and diverse housing forms (Knaap, Meck et al. 2007). Barrier reduction strategies can be understood as any planning law which overrides local controls to the extent that they would otherwise prohibit or discourage

certain housing; or controls designed to codify and free up basic developments meeting defined criteria, overcoming local subdivision and design requirements that would otherwise make housing more expensive to produce (like generous building setbacks or open space requirements, or the use of particular building materials).

However, it is often important to ensure that onerous design controls do not prevent innovative, lower cost developments. Further, given that community opposition can sometimes be a barrier to affordable housing development (von Hoffman 2009), sometimes provisions to reduce contestability of projects meeting physical design standards can operate as a form of barrier reduction.

Two long standing examples of barrier reduction strategies are emblematic of this practice. In the UK, a 'rural exceptions mechanism' has been used in areas where a local need for additional affordable housing is demonstrated, and enables this housing on rural land where residential would otherwise not be developed (Gallent 2009). In the US, similar approaches (described as 'anti-snob' laws) have operated in metropolitan New Jersey and Boston since the late 1960s, permitting developers to construct affordable housing on land zoned for other purposes, provided they can demonstrate that the local authority has not made sufficient provision to accommodate affordable housing in existing areas (Cowan 2006).

Preserving and offsetting the loss of low-cost housing

As noted, the potential loss of low cost housing is a significant concern with urban renewal. Some planning mechanisms seek to discourage redevelopment of low cost housing forms, by introducing special assessment requirements and or higher fees to offset housing loss (often called 'protective mechanisms'). These are important strategies, particularly in response to incremental market driven processes of gentrification. However, such policies may also undermine wider urban renewal goals by deterring redevelopment processes. Therefore, within priority locations for urban renewal to take place, universal affordable housing requirements may be more appropriate than protection measures.

Incentives for new affordable housing

In designated urban renewal contexts, incentives to encourage particular development types are often embedded within planning frameworks. Incentives are used in three main ways. First, they may simply encourage production of lower cost private market housing for lower income households, like shop-top or student housing. Increased development capacity (floor space entitlements) might be permitted for projects incorporating mixed residential and commercial functions, likely to deliver more affordable (non-subsidised) housing. When incentives are used to deliver affordable housing (on site or as an equivalent financial or in kind payment), a cash or in-kind contribution to affordable housing is often required. Usually the formula for determining requirements is based on the value of the increased potential associated with the incentives, and the proportion to be used for the affordable housing contribution. Incentives might also encourage affordable housing development by NFP organisations, such as special concessions to reduce development costs or increase yield. Specific types of planning incentives include density bonuses; reduced car parking or other requirements; fee discounts and express assessments.

In some jurisdictions, developers may select from available planning incentives to offset the impact of mandatory affordable housing contributions, discussed below.

Securing dedicated affordable housing contributions

There are two main approaches to securing affordable housing through the planning process. The first is the voluntary incentive model described above, which is predicated on a planning bonus. Mandatory models work in a similar way but rather than being voluntary, they impose affordable housing obligations (as a condition of planning approval), which may in some cases be offset by concessions or bonuses. There are a number of potential models for determining the affordable housing obligation. These include negotiated agreements for affordable housing made between a developer and planning authority, during the planning assessment process; or fixed requirements usually specified as a specific proportion of housing or development value, often described as 'inclusionary zoning'.

In the US, inclusionary zoning requirements are usually fixed by a calculable formula. In the UK, a negotiated system operates whereby the amount and type of contribution is negotiated between the planning authority and developer, on a case by case basis in the context of specified local affordable housing targets, market viability, and the availability of other government subsidies or assistance (Whitehead 2007; Calavita & Mallach 2010). Crucially for urban renewal objectives, the policy preference is generally for inclusionary requirements to be captured as dwellings provided on site as part of a wider development rather than payments in lieu.

2.2.5 Impact of planning measures for affordable housing inclusion

Within the international literature on planning for affordable housing, data on scheme outcomes is surprisingly limited (Schuetz et al. 2011). Further, differences in housing market and local governance context make it difficult to compare approaches and outcomes across jurisdictions. However, some broad themes emerge consistently across the literature:

- Although many programs appear to have a slow start, rates of affordable housing procurement tend to accelerate over time.
- Design factors, particularly the perceived stringency of requirements and the extent to which the overall policy platform for affordable housing inclusion is perceived to incentivise housing development, are likely to affect yield.
- The availability of other available sources of government funding for housing assistance, complements and extends the role of the planning system, by securing resources for construction and management.
- A strong 'delivery infrastructure' of affordable housing developers and managers is needed for local authorities to take up opportunities secured through the planning system.

In the context of the UK and the US, combining planning requirements for affordable housing with funding, subsidies or incentives, has supported the establishment of strong NFP housing developers. In turn this strong delivery infrastructure is able to achieve scale.

2.2.6 Relationship to other programs and incentives

In the UK and the US, the availability of government funding – particularly direct funds for affordable housing development – has provided the financial basis for securing opportunities delivered through the planning system. For instance, in the UK, the availability of social housing grants for housing development, and a benefit to assist eligible households meet rental payments, has provided both capital and ongoing revenues for the affordable housing sector (Monk, Crook et al. 2005). By the end of the first decade of the new millennium, the outputs from this synergistic process were

significant. For instance, in England, the proportion of all affordable housing units secured in part through the planning process rose threefold from around 20 per cent in 1999–2000 to around 60 per cent in 2009–10 although the total number of affordable housing units had begun to fall from a high of around 45 000 dwellings in 2007–08 to around 25 000 in 2008–09 following the ‘global financial crisis’ (Gurran & Whitehead 2011). This slowing of affordable housing developments reflects funding constraint rather than a failure of the inclusionary planning policy. Indeed it is likely that by routinely embedding affordable housing within new development, a level of overall housing output has been sustained (Crook & Monk 2011).

In the US, housing vouchers able to offset rental costs, as well as the long standing low income housing tax credit program, have supported the market production of lower cost, medium-density housing and the development of a strong NFP housing sector, which, in turn is associated with the introduction of planning programs for affordable housing (Meltzer & Schuetz 2010). Nevertheless, both the portable housing voucher system and the low income housing tax credit system have been criticised in the US for not stimulating development of new affordable homes in areas of existing shortage, but rather, subsidising additional housing development in locations of surplus demand (McClure 2010). This can be overcome when the affordable housing incentive is fully aligned with the planning and development process and tied to specific priority locations.

2.3 Summary and conclusions

This chapter has established a conceptual framework for examining planning approaches for affordable housing within urban renewal contexts. Planning is a form of government intervention in the development process, to promote optimum planning or design of the built environment, to reduce potential offsite impacts from development; deliver social equity; and to ensure opportunities for public participation in decisions that may affect their interests. Planning often plays a particular role during urban renewal processes, directly facilitating urban renewal through forms of government investment, or guiding redevelopment through regulation.

In both cases, specific planning measures can be used to ensure affordable housing is included during urban renewal. This provides a way of securing development opportunities for affordable housing providers as land values increase due to public investment or as a result of changes to planning controls. Planning for affordable housing also helps offset some of the potential negative impacts of urban renewal for low and moderate income groups. A variety of measures documented in the literature, from increasing the potential supply of land for development within inner urban contexts, to securing new affordable homes through fixed or negotiated incentives or mandatory requirements were outlined.

Empirical research on these measures suggests that over time, they have gained traction and acceptance, although success appears to vary according to local and regional housing market characteristics and cycles. The evidence on whether mandatory, fixed affordable housing requirements are more effective than incentive based and negotiated models is mixed, with mandatory negotiated approaches appearing to contribute positively to overall housing supply as well as affordable homes in the UK (Whitehead 2007), but incentive based schemes coinciding with increased housing production in parts of the US (Schuetz, Meltzer et al. 2011). Other factors influencing the scale of affordable housing production through the planning process appear to include the capacity to combine planning measures with other funding or incentives for affordable housing provision, as well as a strong affordable housing sector that is able to act on these opportunities.

3 PLANNING FOR AFFORDABLE HOUSING IN AUSTRALIA: REVIEW OF NATIONAL PRACTICE

There has been a significant evolution of practice in planning for affordable housing across Australia over the past three years. Since the 2008 AHURI benchmarking study was completed (Gurran et al. 2008), a number of existing approaches have gained traction, while several new initiatives have commenced. An important research objective for this study was to review and update such work, providing national policy context for examining the case studies in more detail. The material presented here is based on documentary evidence sourced through legislation, policies, annual reports, and state or local government websites. The information was collected in July 2011 as a precursor for selecting the case study projects.

The first section of the chapter sets out the legal context governing planning systems in each of the Australian jurisdictions, and in particular, provisions in state planning legislation relating to affordable housing. The second section summarises key progress towards planning for affordable housing across the jurisdictions since the 2008 research was undertaken. The final section of the chapter reviews emerging practice in planning for affordable housing in urban renewal contexts, updating projects identified in 2008, and identifying additional existing and potential sites in which affordable housing is being secured through the planning process.

3.1 Legal framework for planning and affordable housing inclusion in Australia

The extent to which the planning system can be used to secure affordable housing is in part dependent on legislation. Under Australia's federal system of government, the Commonwealth has had very little influence in urban or environmental matters. This is starting to change, however, with the introduction of a new National Urban Policy for instance (Department of Infrastructure & Transport 2011). Legal responsibility for urban planning resides with the states and territories. Each jurisdiction has its own overarching planning legislation, establishing processes for land allocation (plan making), development assessment and infrastructure coordination. These functions are managed by the state and territorial governments. In the six states, local governments are able to propose their own spatial plans and development controls (within parameters set by state legislation), and have varying levels of responsibility for development assessment and infrastructure funding and provision.

Traditionally, Australian planning law has provided limited recognition of affordable housing. This began to change in the last decade, as shown in Table 4. In 2000, the NSW *Environmental Planning and Assessment Act 1979* was amended to include affordable housing as an objective, meaning that land use plans could address affordable housing and that affordable housing could be considered during development assessment. The South Australian Development Act was amended in 2006, also providing for affordable housing to be addressed in plan making and development assessment. The Australian Capital Territory (ACT) *Planning and Development Act 2007* now refers to affordable housing. Queensland's new *Sustainable Planning Act 2009* includes reference to housing choice and diversity, and aims to promote development which is 'affordable'.

Table 4: Housing choice and affordability in Australian state and territorial planning legislation, June 2011

Jurisdiction	Legislation	Reference to housing needs—choice or affordability
ACT	Planning and Development Act 2007	Territory plan may make provision for affordable housing (s51)
NSW	Environmental Planning and Assessment Act 1979	Affordable housing an objective of the Act (s5)
NT	Planning Act 1999	(no reference)
Qld	Sustainable Planning Act (SPA) 2009	Housing choice and diversity to be considered in decision making, s5(1)(c). Reference to 'affordable development' as a component of sustainable communities (s11(c)(i))
SA	Development Act 1993	To promote or support initiatives to improve housing choice and access to affordable housing an objective of the Act (s3)
Tas	Land Use Planning and Approvals (LUPA) Act 1993	(no reference)
Vic	Planning and Environment Act 1987	An objective of the Growth Areas Authority is to promote housing diversity and affordability in growth areas (s46AR(d))
WA	Planning and Development Act (PDA) 2005	(no reference)

Source: Gurran 2011

In addition to overarching planning legislation, some states have introduced specific, state level planning policies or instruments to address particular affordable housing objectives. These include NSW, which has a range of state policies designed to overcome local barriers to particular types of housing, to protect existing low-cost rental housing, and to promote new affordable housing development; South Australia, the Northern Territory and the Australian Capital Territory, all of which have identified specific targets for achieving affordable housing in new developments, as discussed further below.

3.1.1 Government Land Development Authorities

The resurgence of state or territory land development authorities with an explicit role in facilitating affordable housing has been an important change in the Australian urban policy landscape (Milligan et al. 2009). Examples include Qld's special purpose authority, the ULDA, the ACT Land and Development Agency, the South Australian Land Management Corporation, and the East Perth Redevelopment Authority in WA, all of which have sought to use the planning and development process to secure dedicated affordable housing outcomes, albeit in a limited capacity to date. We return

to discuss the role and potential of government land development authorities in facilitating and delivering urban renewal in Chapter 7.

3.2 State of practice update, by jurisdiction

A scoping exercise was undertaken to ascertain key developments in planning for affordable housing across the Australian states and territories, since the benchmarking 2008 study was completed.

3.2.1 An affordable housing strategy for Western Australia

The Western Australian government released an affordable housing strategy in December 2010. The ten year strategy encompasses strategies across the spectrum from social rental housing to home ownership, but focuses particularly on establishing 'an alternate housing market for new types of affordable accommodation that operate at an ongoing discount to regular housing' (Housing WA 2010 p.7). Several planning related initiatives are anticipated, including the piloting of zoning requirements and incentives for affordable housing; incentives to encourage mixed affordable housing in commercial developments, and quotas for developing surplus government land. A minimum 15per cent affordable housing quota has been placed on all government land and housing development. Developments that deliver affordable housing supply in priority areas are to be fast tracked.

3.2.2 A new planning policy for affordable housing in New South Wales

The NSW Government introduced State Environmental Planning Policy (Affordable Rental Housing) in 2009. This SEPP incorporated a number of existing provisions for retaining and providing low-cost and special needs housing, as well as some new opportunities for affordable housing development, including a standard density bonus formula for projects incorporating affordable rental accommodation. Following an election and change of NSW Government, the instrument was amended in May 2011, significantly reducing its scope. An Affordable Housing Taskforce was established by the new O'Farrell government to establish a new affordable housing policy for NSW.

Additionally, over the past few years a number of local government areas in Sydney's inner and middle ring have sought to secure affordable housing on major urban renewal sites, generally using a negotiated planning agreement process. In particular, the City of Sydney has sought affordable housing outcomes on a number of major urban renewal sites, in addition to its ongoing experience with the nation's first inclusionary zoning scheme applying to the urban renewal areas of Pyrmont/Ultimo and Green Square.

3.2.3 Affordable land development in Queensland

The Queensland Government has pursued some site specific affordable housing initiatives under the auspices of the ULDA, established in 2007. Focusing on large residential redevelopment sites in high growth areas, the ULDA has specified a target of 15 per cent of dwellings to be affordable to those on low and moderate incomes. This target is to be enforced through mandatory planning provisions, with the percentage of dwellings to meet defined affordability criteria varying by site. Some ULDA schemes also offer a voluntary density bonus in return for affordable housing (to be provided as either a cash contribution or as completed dwelling units, for rent or sale at specified affordability thresholds).

3.2.4 Planning for affordable housing targets in South Australia

In South Australia progress towards implementing the state's 15 per cent affordable housing target in new development areas has been ongoing. Planning provisions

were initially applied to the redevelopment of government sites but have increasingly been included when major new residential areas are released or rezoned to allow higher density development. Approximately 400 new affordable home purchase units were realised in South Australia under this mechanism in 2008 (FAC 2009) and over 600 by late 2011 (Chapter 5).

3.2.5 *Developments in other jurisdictions*

In other jurisdictions, there has been mixed progress in securing affordable housing through the planning and development process. In the ACT, the Government has continued to pursue its target of delivering 15 per cent affordable house and land packages in new developments (by 2010, 404 sites had been released for this purpose) (Land Development Agency 2011). In the Northern Territory, there is a government commitment to setting aside 15 per cent of all new subdivisions for affordable and social housing. To date, this commitment has been pursued via requirements for subdivisions on Crown land (Territory Housing 2011). In Tasmania, Hobart City Council released an Affordable Housing Strategy in 2010. The Strategy commits to prioritising the development of affordable housing, when considering options for the sale or redevelopment of council land, and foreshadows the introduction of one off planning scheme amendments and development agreements to facilitate affordable housing development (Hobart City Council 2010).

The Victorian Planning Provisions were amended in 2009 to facilitate the delivery of social housing funded under the Economic Stimulus Funding Package. Those provisions expired on 30 June 2012.

3.3 Existing and emerging practice in urban renewal contexts

Using the initial cases identified in the 2008 study as a starting point, we sought current data on specific brownfield projects in which affordable housing has been, or will be, sought through the planning process (Tables 5–8). This scoping exercise informed the selection of case studies for detailed investigation, as discussed in Chapter 1.

As shown in Table 5, in NSW three new projects are anticipated in the City of Sydney (Barangaroo; Harold Park & Cowper St, Glebe) using negotiated agreements and a density bonus incentive to secure a cumulative total of 170 new affordable dwellings. Additionally, as discussed further in Chapter 6, streamlined affordable housing approval processes and planning scheme incentives are associated with around 3210 new dwellings anticipated under provisions provided by the Affordable Rental Housing SEPP. In total, this amounts to around 4000 affordable housing dwellings, sites, or leases, however, given the renewal context, it is possible that some affordable homes will be lost during these development processes as well.

Table 5: Planning scheme affordable housing outputs, NSW 1995–2011

Project / scheme	Mechanism	Development context	Time-frame	Govt. land / subsidy	Outputs
CUB (City of Sydney)	Mandatory negotiated agreement	Redevelopment / renewal	2007–	x	\$23m
Canada Bay, NSW	Voluntary negotiated agreement	Redevelopment	2005–07	x	15 units (1 development)

Project / scheme	Mechanism	Development context	Time-frame	Govt. land / subsidy	Outputs
Randwick, NSW	Mandatory contribution	Redevelopment	2004–07	x	15 units , (in 3 developments)
Waverley, NSW	Incentive (density bonus)	Infill, development	1999-	x	33 units - 17 owned by Council and 16 leased to Council for periods from 3-15 years)
City West & Green Square (City of Sydney), NSW	Inclusionary zoning	Redevelopment	1995-	✓	491 units acquired, 56 at planning stage
Willoughby, NSW	Mandatory contributions	Development	1999	x	10 units (from 1 development)
Barangaroo (City of Sydney)	Negotiated agreement	Redevelopment / renewal	2009-	✓	None to date (anticipated around 20 units)
Harold Park (City of Sydney)	Negotiated agreement	Redevelopment / renewal	2010-	x	Land and development capacity (floor space) for around 60 units
Cowper St Glebe (City of Sydney)	Incentive (density bonus)	Infill; development	2010-	✓	None to date (planned for around 90 units)
Housing NSW (across NSW)	Streamline approval (part of A-SEPP)	Public housing renewal	2009-	✓	Approximately 3000 dwellings
Various private sector developers (across NSW)	Incentive (land use concession, density bonus) (part of A-SEPP)	Incremental infill	2009	x*	210 dwellings in 2010/11 FY (potentially some more previously and subsequently) (*NB: NRAS is likely used in some cases)
Total					3944 dwellings \$23m (CUB)

Source: derived from Gurran, Milligan et al. 2008

In Queensland, 75 single-bedroom apartments have been procured to date (Table 6) and 5 ULDA schemes are underway, as discussed in Chapter 4.

Table 6: Planning scheme affordable housing outputs, Qld 2007–11

Project / scheme	Mechanism	Development context	Time-frame	Govt. land / subsidy	Outputs
Ferry Apartments (Brisbane City Council) Qld	Planning incentives for affordable housing, statutory covenant	Development	2007	✗	75 bedrooms
Northshore Hamilton (ULDA) Qld	Inclusionary zoning	Redevelopment	2008-	✓	Minimum of 5% of total gross residential floor area affordable housing
Bowen Hills (ULDA) Qld	Inclusionary zoning	Redevelopment	2008-	✓	Minimum of 5% of total gross residential floor area affordable housing
Fitzgibbon (ULDA) Qld	Inclusionary zoning	Development	2008-	✓	10% of dwellings in Stage 1 67% of dwellings in Stage 2
Boggo Road Urban Village (Brisbane City Council)	Mandatory negotiated agreement	Redevelopment	2008-	✓	Minimum of 25% of dwellings affordable market units
Woolloongabba	Inclusionary zoning	Redevelopment	2011-	✓	15% of the gross area of all residential dwellings affordable housing

Source: derived from Gurran, Milligan et al. 2008

In South Australia, it is estimated that 631 affordable housing units will be delivered across multiple local government areas in the Adelaide metropolitan region, as well as a net gain of 40 affordable housing units on a public housing redevelopment site (Table 7). These schemes are discussed in greater detail in Chapter 5.

Table 7: Planning scheme affordable housing outputs, SA 2003–11

Project / scheme	Mechanism	Development context	Time-frame	Govt. land/ subsidy	Outputs
St Balfours (Adelaide City Council), SA	Mandatory negotiated agreement	Redevelopment	2003-2007	✓	52 affordable housing units , 39 to be purchased by state, 13 owned by council
Glenside Hospital (City of Burnside), SA	Mandatory inclusion (15%)	Redevelopment	2006-	✓	60 Units (15% of total dwellings; inc 5% for high needs)
Cheltenham Racecourse City of Charles Sturt, SA	Mandatory inclusion (15%)	Redevelopment	2007-	✓	15% of total dwellings
South Australia new residential areas (multiple LGAs)	Mandatory inclusion (15%)	Greenfield / renewal	2008/09	✗	631 affordable market units delivered (at 31/10/12)
Bowden Project	Mandatory inclusion (15%)	Redevelopment	2011-	✓	15% of total dwellings
Woodville West	Mandatory negotiated agreement	Redevelopment of public housing	2010	✓	Loss of 140 Housing SA homes and gain of approximately 180 affordable units

Source: derived from Gurran, Milligan et al. 2008

Finally, in Victoria, the City of Port Phillip's long running commitment to planning for affordable housing has resulted in at least 560 affordable homes to date, secured by a combination of negotiated planning agreements and the dedication of local government land (Table 8).

Table 8: Planning scheme affordable housing outputs, Vic 1985–2011

Project / scheme	Mechanism	Development context	Time-frame	Govt. land / subsidy	Outputs
City of Port Phillip (Victoria)	Negotiated agreements	Redevelopment	1985-	✓	560 dwellings (approx)

Source: derived from Gurran, Milligan et al. 2008

3.4 Summary: an evolving practice

This brief review of evolving practice suggests that there has been increasing use of the planning system to secure affordable housing in Australia in recent years, although projects and outcomes are still relatively recent and untested. While the jurisdictions of ACT, WA and NT appear to be focussing affordable housing inclusion targets on new release contexts, in NSW and Qld, the main focus of planning initiatives for affordable housing has been within existing urban areas. In South Australia practice appears to be mixed, with dual approaches applying across all new development and redevelopment contexts.

The state of practice in Australian planning for affordable housing is best described as a continuum of models and schemes, at different stages of evolution. As foreshadowed in Chapter 1, we have identified five key sets of differences across the projects:

Context, project design and objectives

Projects appear to differ according to their urban context (location, accessibility, amenity), site characteristics (vacant / brownfield / existing housing) and ownership pattern. These factors also influence project design and objectives, which vary from the achievement of infill housing supply through to comprehensive social and environmental objectives for an entire neighbourhood or community.

Planning mechanism used

Depending on jurisdiction, planning mechanisms for securing affordable housing have ranged from voluntarily negotiated outcomes in the context of land transfer or rezoning, through to mandatory, codified, requirements.

Affordable housing outcomes

Affordable housing outcomes sought have differed in terms of the contribution secured (a financial payment, a site, or completed dwellings); the tenure of housing provided (affordable rental for a time period, in perpetuity, or affordable home ownership); and management arrangements.

Project drivers

Key differences have related to whether affordable housing provision was driven by a government land development authority, a local council, a social or affordable housing provider, a private developer, or a consortium of partners.

Policy cohesion and support

A final key aspect is the relationship between the project and other government funding or initiatives, particularly those relating to affordable housing. These might relate to land endowments (such as the use of government land), capital grants or funding (from local, state or Australian governments), or other funding or incentives for affordable housing, such as NRAS.

These five key project differences and their implications for affordable housing outcomes are explored throughout the more detailed case studies, in the following three chapters.

4 PLANNING FOR AFFORDABLE HOUSING IN QUEENSLAND

In Queensland, the government has recently sought to deliver improvements in housing affordability through a review of the planning system and the introduction of a new land development agency; the Urban Land Development Authority (ULDA). The emphasis has been on improving the efficiency of planning and development assessment processes, and bringing land to market more quickly. The ULDA has responsibility for land use planning, development assessment and in some instances the development of sites declared by the Minister for Planning as Urban Development Areas (UDAs), and has powers on these sites to require of developers the provision of affordable housing. Several UDAs are large and/or complex urban renewal sites.

In this chapter, three case studies are used to review and assess the ULDA's approach to delivering affordable housing through the planning process; these include inclusionary zoning, density bonuses, betterment capture and the reinvestment of the Authority's dividends into affordable housing outcomes. The findings presented are based on a review of literature and policy in Queensland, as well as interviews with representatives of the Queensland Government housing and planning departments, the ULDA, local government, the property development industry and the NFP sector.

4.1 Queensland's state-wide planning framework

Land use planning and development are recognised as critical to housing affordability outcomes under the Queensland Government's 'Housing Affordability Strategy' (2007a) and Sustainable Planning Act 2009 (2009a). The Housing Affordability Strategy sets out a series of land and planning initiatives aimed at increasing efficiency and reducing the timelines and holding costs associated with bringing new land to the market. The Strategy commits the Queensland Government to improving housing affordability through reform of the planning and development assessment process, and through the introduction of an 'Urban Land Development Authority'; a new government agency with responsibility for undertaking 'land use planning, land amalgamation and acquisition and development assessment' for certain sites nominated as UDAs by the Queensland Government (Queensland Government 2007a, p.2). Soon after the release of the Housing Affordability Strategy, the ULDA was established through the Urban Land Development Authority Act 2007. This Act creates the ULDA, provides it with statutory planning consent powers for all UDAs and gives it an explicit housing affordability agenda; two of the Authority's five specified functions concern the provision of housing diversity and affordable housing (Queensland Government 2007b).

The Sustainable Planning Act 2009 is the legislative basis for planning and development decision-making in Queensland, outside UDAs. Although the 2009 Act contains no direct provisions for affordable housing, it does include a number of initiatives and approaches that aim to make it simpler and quicker to bring land to market and gain development approval; many of these reflect the directions outlined in the 2007 Housing Affordability Strategy. The Act seeks to increase efficiency in the planning system and reduce complexity by standardising local planning scheme provisions and regulating infrastructure charges, and by reducing timeframes for development approval processes. Under a complementary policy adopted in 2007, the State Planning Policy for Housing and Residential Development (Policy 1/07), local governments in higher growth areas are also required to identify the housing needs of the local community and adapt their planning schemes accordingly (when the

planning scheme is being revised or prepared) to remove any barriers to the development of appropriate housing options (Queensland Government 2007c).

4.2 Regional and local planning framework

The South East Queensland Regional Plan, covering an area that stretches north to south from Noosa to Gold Coast, also contains a number of policies relating to affordable housing. The Plan has statutory weight and local planning schemes are required to be in general conformity with it. A key principle of the Plan is to provide a variety of housing options; it encourages 'all major development to include affordable housing, including appropriate housing for entry buyer and low-income housing markets', and calls for due consideration of affordable housing provision in decisions on the disposal or redevelopment of government property and land (Queensland Government 2009b, p. 95).

Since the establishment of the ULDA in 2007, certain strategic sites both inside and outside South East Queensland have been declared UDAs by the Minister for Planning. In these UDAs, statutory planning powers are passed from the local authority to the ULDA. Criteria for selection of UDAs include areas of high growth and/or housing stress, areas that contain significant portions of government-owned land, and areas that are close to public transport, services and opportunities. Five areas were initially nominated as UDAs when the ULDA was established; most of these major sites in Brisbane. This number has since grown to seventeen and UDAs now comprise over 19 000ha of greenfield and brownfield land across Brisbane, several regional centres and some resource-boom towns (ULDA 2011c). Some of the largest and/or most complex urban renewal sites in Queensland are UDAs, but many of the more recently-declared UDAs are greenfield sites on the periphery of regional centres. The ULDA has its own Housing Strategy (ULDA 2011a), which outlines strategic directions for residential development in all UDAs; this Strategy commits the organisation to improving housing affordability by:

... reducing the cost of development through streamlining the development approval process and removing impediments to public and private housing and urban development providers enabling it to bring urban land to market quickly. It also achieves housing affordability by requiring a variety of lot sizes and dwelling types within a development. Smaller house and lot types result in lower price points relative to the traditional lots being produced in the market. (ULDA 2011a, p.2)

Outside UDAs, Queensland's two largest cities Brisbane and Gold Coast both have provisions in their planning schemes that recognise housing choice and affordability as desired outcomes of the planning process. Brisbane City Council has also recently imposed planning conditions requiring affordable housing provision in development approvals for major urban renewal projects. At a mixed-use project on government-owned (not Brisbane City Council) land in the city's south, for example, Council made it a condition of planning approval that 25 per cent of units be delivered for sale at a price below the median house price for the local area, including a component of social housing. Brisbane City Council also has in place an 'Affordable Housing Incentives Policy' (Brisbane City Council 2008), which commits the Council to providing incentives for developers where long-term affordable housing (e.g. housing with NRAS allocations or housing owned by NFP providers) is included in their projects. These incentives may be financial in the form of reduced Development Assessment fees and Infrastructure charges, or they may be physical in the form of changes to the permitted floor areas, heights, setbacks and parking requirements for a site.

The Southeast Queensland Council of Mayors is a political advocacy organisation that represents the interests of ten local councils in Southeast Queensland. Housing affordability has been a key area of focus for this group in recent years, with much of its work having focussed on the opportunities for changes to the planning system to deliver improvements in affordability. Alongside the design and implementation of streamlined planning assessment tools and design guidance and provisions relating to medium-density housing, one key project of the group, relevant to this report, is the Next Generation Planning handbook (Council of Mayors 2011). The handbook provides a practical resource for planners, designers and home builders to implement tools for delivering housing diversity when designing, developing or assessing projects. It includes a series of template planning provisions that support housing diversity, and which can be readily imported into local authority planning schemes.

4.3 The ULDA and Affordable Housing

The ULDA emerged from the Queensland Housing Affordability Strategy and it has an explicit housing affordability agenda. Its 100 or so employees have wide-ranging backgrounds in planning, urban design, housing, community development, environmental sustainability and property development. The organisation was modelled on similar bodies operating in other Australian states; Landcom, the East Perth Redevelopment Authority and the Sydney Harbour Foreshore Authority were named by interviewees as examples. The central aim with the ULDA's establishment was to bring planning and development functions for state-significant sites together under one organisation's remit; to create a powerful organisation that could bring land to market quickly and streamline development assessment processes.

The ULDA operates on a commercial basis with its own independent board comprising representatives from government and the private sector. Although it is self-funded, the organisation can access debt-finance from the Queensland Government. Like other government agencies in Queensland, the ULDA is bound by competitive neutrality requirements, which means that it must not enjoy competitive advantages over private sector competitors. As a part of these requirements, the ULDA must return the surplus revenue that it generates into a 'Competitive Neutrality Fund'. Significantly, however, an agreement was reached with Treasury in 2007 that the ULDA can retain these Competitive Neutrality funds, so long as the funds are reinvested in affordable housing outcomes (pers. communication, interview).

The ULDA is the planning consent authority for all UDAs and can actively acquire and dispose of land. However, it does not own all of the land over which it has planning control, and in some UDAs it and the Queensland Government own no land whatsoever. In cases where UDAs are mostly or entirely comprised of private land holdings and/or where there is a market for development, the ULDA usually acts only as planning authority. For UDAs where the market is seen to be failing, the ULDA may act as both planning authority and developer; preparing development schemes and servicing sites before selling them on to private developers.

The ULDA aims to provide a streamlined planning assessment process, and operates with a statutory forty business-day timeframe for the determination of development applications. In order to achieve this forty-day turnaround, it encourages development proponents to engage in pre-application discussions with them prior to lodgement. This is seen to be an effective way of ensuring that there are few issues to resolve once an application is formally lodged. At a future date, once the development of a UDA is well underway, statutory planning powers will pass back to the relevant local authority.

For each UDA, the ULDA's first step is to prepare a draft structure plan for the entire site and undertake consultation with community members and relevant local and state authorities on visions and objectives for the area. Feedback from this is used to inform the preparation of a proposed development scheme, which is then publicly advertised for around thirty business days. Following this second stage of public consultation, the proposed development scheme must be approved by Cabinet, something which is not usually the case for planning schemes prepared by local authorities. Once approved, the ULDA's development schemes form the statutory basis for the determination of planning applications on the UDA. Each development scheme includes a strategic vision for the UDA and detailed strategies for land use and infrastructure planning and implementation. The land use planning sections comprise both UDA-wide assessment criteria and site-specific requirements (floor space ratios, building heights, land uses, parking etc.) for individual precincts. Affordable housing provision is a UDA-wide assessment criterion in all ULDA Development Schemes, but the levels and type of affordable housing expected or required by the ULDA for a given UDA may vary according to context, local housing need and market conditions. The targets for each site are informed by a housing needs assessment undertaken concurrently with the preparation of the development scheme (ULDA 2011a, p.4).

Housing is considered by the ULDA to be 'affordable' when a household is spending no more than 30 per cent of its gross household income on rent, or no more than 35 per cent on a mortgage. Groups targeted by the ULDA in projects within UDAs are households with incomes ranging between \$44 000–105 000, which is aligned with NRAS. This translates to a figure for an affordable rent of between \$259/week (for households earning \$44 000) and \$604/week (for households earning \$105 000), and affordable homes for purchase at a price between \$194 000–443 000 respectively (ULDA 2011b). These figures are all adjusted annually. The ULDA has a target of fifteen per cent of dwellings delivered across all UDAs to be affordable by these measures, with the targets for individual UDAs varying according to local circumstances. The target figures are generally higher for greenfield sites than they are for brownfield; this reflecting the costs of site remediation, the generally higher land values on brownfield sites, and the costs associated with the development of higher-density built form product. The ULDA currently uses a range of mechanisms to deliver this affordable housing component on UDAs.

The streamlined development approval process reduces holding costs for developers. The forty-day turnaround is possible because the ULDA undertake community consultation on strategic directions for each UDA at an early stage, before preparing the development scheme for the whole site. Any forthcoming development application on the site is then 'code-assessable'. This means that so long as the application conforms with the ULDA's development scheme, it can be approved without further public notification. Pre-application discussions with proponents also provide the opportunity for issues with proposals to be identified and addressed at an early stage, smoothing the formal development assessment process once an application is lodged.

The forty-day development assessment process also benefits NFP and for-profit developers attempting to deliver subsidised affordable rental units within the tight timeframes imposed by schemes such as the NBESP and NRAS.

A range of dwelling types and designs are required through development schemes, and guidelines are provided for developers on the delivery of diverse and affordable housing (ULDA 2011b).

A target percentage of total dwellings / floor space meeting prescribed affordability criteria is set in all development schemes.

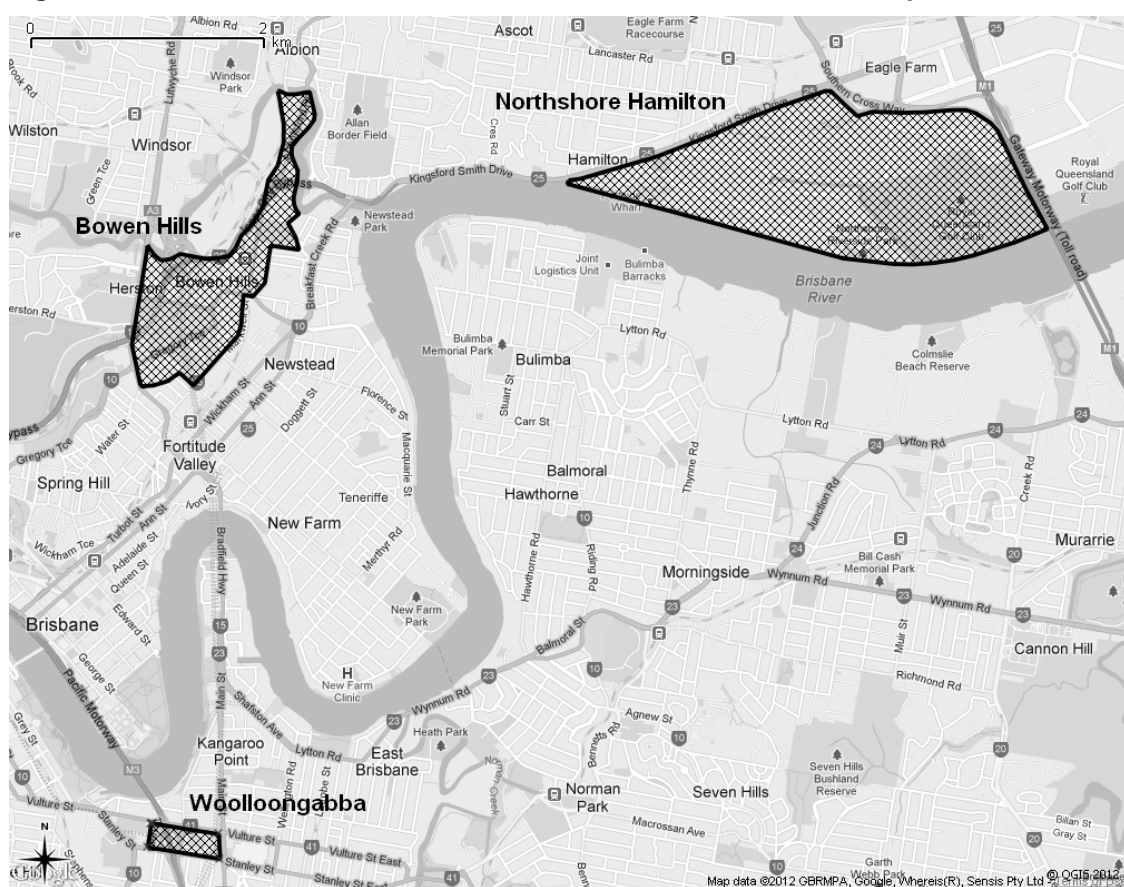
Any surpluses generated through the development process are used to fund the organisation. The funds from the Competitive Neutrality Fund are reinvested into affordable housing outcomes.

The ULDA collaborates with NFP providers to facilitate affordable housing delivery, in some cases reducing requirements placed upon them by development schemes, and selling them land through negotiated agreement. The ULDA also assists developers and investors with the sourcing of funding for subsidised affordable rental housing, for instance through the National Rental Affordability Scheme or Housing Affordability Fund.

Developers are given the option to apply for a higher development yield where they provide 'a superior design outcome' in terms of environmental sustainability, design and affordable and accessible housing provision. In order to receive this density bonus, the applicant must provide a minimum of 15 per cent gross floor area for dwellings that are affordable to rent on the median household income (ULDA 2011b).

There are currently three UDAs that involve large-scale urban renewal in inner-urban areas. The two furthest advanced are Bowen Hills and Northshore Hamilton; both in inner-north Brisbane and both under construction, with significant numbers of residential units already complete. The third is at Woolloongabba, in inner-south Brisbane. Here, a development scheme is in place, but construction is yet to begin. A map showing the location of these three UDAs is shown in Figure 1.

Figure 1: Location of the Brisbane case studies—CBD in the west of map



Source: Quantum GIS Development Team, 2012. Open Source Geospatial Foundation Project, <http://qgis.osgeo.org>

Figure 2: Bowen Hills UDA



© ULDA (ULDA 2009a, p.3)

4.4 Case studies

4.4.1 Case study 1: Bowen Hills Urban Development Area

The Bowen Hills UDA (Figures 1 & 2) was declared by the Queensland Government in March 2008, and covers 108ha of industrial, commercial and residential land split across a large number of private land holdings. The UDA lies approximately 3km north of the CBD and is located between the Brisbane CBD and Brisbane airport, close to Bowen Hills rail station. Because the land in the Bowen Hills UDA is not government-owned, the ULDA acts only as a planning authority. Following a process of public consultation in late 2008, a Development Scheme was prepared for the site by the ULDA and approved by the Queensland Government. This Development Scheme requires that all residential development delivers 'housing choice', and all residential and mixed-use developments are required to have a minimum of 5 per cent of gross floor area of all residential dwellings as affordable to rent by households on the median household income for the Brisbane City Council area (ULDA 2009a). While not the preferred outcome, where this is not provided as built product, the applicant is required to enter into a development agreement with the ULDA wherein the applicant pays the ULDA an equivalent monetary contribution plus an administration contribution for the ULDA to arrange the delivery of affordable product.

Several sites at Bowen Hills are under construction or recently completed, although much of the UDA remains unchanged at the time of writing as the development horizon is 30 years. Projects with development approval range between 10–30 storeys in height, most are predominantly or purely residential in use, although some contain small-scale retail and commercial space. NFP housing provider Brisbane Housing Company is close to completing a mixed-tenure residential project that will provide a total of 107 units, seventy of which will be affordable rental for a range of income groups (including NRAS units), and thirty-seven of which will be market for

sale. A further 189 affordable units for sale are scheduled to be delivered by for-profit developers at Bowen Hills by the end of the 2012 financial year. Altogether, this will represent 259 affordable dwellings to be delivered from a total of 720 dwellings; around 36 per cent. This is likely to be a far greater proportion of gross residential floor area than that formally required through the Development Scheme, suggesting that the ULDA's affordable housing requirements can be met and surpassed by developers while still allowing them to make the necessary profit margins. Almost all of the affordable units are studios or one-bedroom apartments. There are over 300 NRAS incentives attached to units in Bowen Hills, although there is no certainty that all of these will be delivered.

In all cases where affordable housing is delivered on UDAs with some level of subsidy, the ULDA requires that there are mechanisms to ensure that affordable purchase product is not resold for windfall, and that the affordable rental product is targeted to eligible groups.

4.4.2 Case Study 2: Northshore Hamilton Urban Development Area

The Northshore Hamilton Urban Development Area (Figures 1 & 3) is another major renewal site that was declared in 2008. It covers 304ha of former industrial sites and docklands on the Brisbane River, around 6km northeast of Brisbane CBD and 8km southwest of Brisbane Airport.

Figure 3: Northshore Hamilton UDA



© ULDA (ULDA 2009b, p.3)

Much of the land in the Northshore Hamilton UDA is government-owned, including around 60ha of land owned by the ULDA that was transferred from the Port of Brisbane Corporation. The ULDA is acting as planning authority for the entire UDA and as master land developer for ULDA-owned land, which will be sold to private developers to deliver the built form product.

The affordable housing provisions in the Northshore Hamilton UDA Development Scheme are similar to those in Bowen Hills; 5 per cent of gross floor area of all residential dwellings must be affordable to rent by households on the median

household income for the Brisbane City Council area, and there is the option for the ULDA to recoup some of the uplift in land value where applicants elect to utilise the increased density permitted (ULDA 2009b). However, in addition, developers can take advantage of an increase in the permitted development yield for a site, where they agree to provide at least 15 per cent of total dwellings as affordable housing. This density bonus can only be accessed where the ULDA considers a project to be of a 'superior design outcome'; meaning that it incorporates a higher-than-required number of affordable units, performs well environmentally, and/or includes a high level of accessible housing provision. At Northshore Hamilton, the ULDA also plans to trial a shared equity scheme. It will be investing a total of \$1m equity into 30 dwellings to be purchased by eligible low–moderate income earners (see discussion below).

At the time of writing, construction at Northshore Hamilton was well underway. The centrepiece to date is a mixed-use commercial, retail and entertainment strip that incorporates a cinema. This mixed-use centre is already complete and surrounding it there are a number of residential and commercial buildings up to 22 storeys. The remainder of the site will be built out with predominantly residential buildings ranging between 3–23 storeys over the next 20 years or so. Of the 2345 residential units approved for the site so far, 276 (12%) are affordable market studios and one-bedroom apartments for sale. So far, one developer has taken advantage of the increased yields permitted for a 'superior design outcome'.

4.4.3 Case study 3: Woolloongabba

The Woolloongabba UDA was declared in April 2010. The site comprises 10ha of brownfield land, around 2 kilometres south of the CBD (Figure 1). Located adjacent to Brisbane's largest cricket ground, the site is bounded by heavily-trafficked streets, comprises a mix of mostly commercial and light industrial uses, and is intersected by the north-south M3 motorway. Woolloongabba UDA has been earmarked for a new underground station as part of the Cross River Rail project (ULDA 2011c: 2). The Development Scheme for the UDA was approved in April 2010, following a period of community consultation. Most of the provisions in the Bowen Hills and Northshore Hamilton development schemes also apply in Woolloongabba. However, the target for affordable housing provision on the site is higher, with 15 per cent of the gross area of all residential dwellings required to be affordable to rent to households on the median household income for Brisbane City Council area.

Table 9: Summary of planning provisions in Qld case studies

Project / site name	Streamlined approval	Housing diversity required	Percentage affordable housing required	Voluntary density bonus for Affordable Housing provision	Government land / subsidy
Bowen Hills	✓	✓	5% gross floor area	✓	✓
Northshore Hamilton	✓	✓	5% gross floor area	✓	✓
Woolloongabba	✓	✓	15% gross floor area	N/A	✓

4.5 Emerging practice at the ULDA

The ULDA is a young organisation that views its role in affordable housing provision as one of delivering affordable housing product through the market, without distorting

that market. Affordable housing is defined by the ULDA as market housing for purchase or rent at or below a certain pre-determined price. The primary mechanism for achieving affordable housing provision on urban renewal UDAs has so far been a planning requirement for a certain proportion of total dwellings to be provided below a pre-determined price threshold. These affordable housing targets are determined following an assessment of local market circumstances and housing need, and are set at a level that does not harm development viability. The ULDA also aims to offset the costs of any affordable housing requirements for developers by providing certainty through both its development scheme process and pre-application discussions, and by reducing holding costs through a streamlined development assessment process.

Most of the affordable housing delivered on UDAs in urban renewal contexts to date has been market studios and one-bedroom apartments for sale; the ULDA's targets have been met or exceeded by developers on a commercial basis through reductions in unit size, increased development yields across projects, and through reduced holding costs associated with the streamlined development assessment process. The view from ULDA employees was that this affordable housing produced commercially for sale on the market to a price threshold had affordability built into it, in that it was worth the sale price, and would therefore not be on-sold or rented later for a mark-up. Although the bulk of affordable housing provision in UDAs has been market studios and one-bedroom apartments, seventy affordable rental housing units have also been developed by NFP housing provider Brisbane Housing Company, and there are 333 NRAS subsidies attached to units in for-profit projects at Bowen Hills. While the ULDA does not have a social housing function, it can sell land to NFP providers with negotiated sales conditions – land has in the past been sold to a NFP provider through negotiated agreement, with the terms allowing for some flexibility in re-payment. Social housing delivered on UDAs will depend on budget funding for new development at the Department of Communities, as well as the ability of the NFP sector to deliver built form product.

The ULDA has helped developers deliver affordable rental housing by assisting them with applications for NRAS subsidies and providing them with letters of support in funding applications. The number of NRAS approvals has been limited to some extent by the processes used by the ULDA to allocate land for development. The land disposal process in UDAs does not provide any guarantees of access by particular developers, and access to a suitable site is a key criterion used by the Department of Communities in the assessment of applications. Because many developers proposing projects in UDAs were unable to demonstrate that they had guaranteed access to land, NRAS incentives could not be granted to them.

Four years into its existence, the ULDA is increasingly stressing the need for housing diversity on UDAs, and is beginning to experiment with a number of affordable housing initiatives using its competitive neutrality funds. At Northshore Hamilton, in one of the case studies, the ULDA will trial a shared-equity scheme investing a total of \$1 m in 30 dwellings (maximum of \$100 000 per unit) for eligible moderate-income households. The occupier will be free to sell the unit on the market as they wish, with the ULDA receiving its share of any returns. Competitive neutrality funds have also been used for the development of demonstration projects on a greenfield site at the Fitzgibbon UDA, and will fund housing development in resource-boom towns, with homes then gifted to local authorities or NFP providers. Another innovation is the use of a 'My Place' scheme that will limit the purchase of affordable housing product to eligible groups (based on household income and owner/occupier status) for a certain period of time, with a ballot process ensuring that these groups will not be competing with investors, but only with others from the eligible income group band. The proposed

scheme is similar to that operating in South Australia through the 'Property Locator'. See description in Chapter 5.

4.6 Perspectives on the ULDA from other stakeholder groups

There was general agreement from all interviewees that the ULDA has been extremely effective in streamlining planning processes and increasing certainty for developers while still achieving high quality development outcomes; removing development bottlenecks without 'compromising good planning', as a representative from a local NFP housing organisation put it. The property developers interviewed had found the forty-day development assessment turnaround a major advantage of developing in UDAs, as compared with areas where local authorities were the planning consent authority. The ULDA was seen by developers to understand the development process and to ensure that requirements for affordable housing on UDAs were not overly onerous. There was a view that the Authority had a culture and attitude that reflected a desire to succeed, and which differed markedly from local authorities in its 'can-do' approach. As an executive officer with experience developing homes in UDAs commented:

I've always felt that ... agencies whose existence is dependent on performance will do more. Now if you have a statutory body like a local government that no-one can ever get rid of ... a certain different attitude prevails which is "we are the government and we do things at our own speed. If you try to hassle me then you'll go to the bottom of the pile." Now you don't get that attitude in the ULDA ... everybody in the organisation knows—unless we make these UDAs perform, there won't be any more of them.

An interviewed for-profit developer suggested that the ULDA's affordable housing requirements could sometimes be achieved on sites without any major change to their standard development practices; the number of units required by the ULDA at or below the price threshold would probably have been developed on some sites, even without formal planning requirements. Developers were generally positive about the ULDA's role in the development process and valued the certainty that the development schemes for UDAs and pre-application discussions provided for them – the high densities permitted by the ULDA and the use of pre-application discussions meant that lodged applications were generally code-assessable and were usually granted planning approval within a short timeframe, eliminating unexpected delays and thereby reducing construction costs; 'you can deliver affordability if you've got certainty' as one developer explained.

Some concerns were raised by interviewees from Queensland Government housing and planning departments about the wide-ranging powers of the ULDA and the organisation's lack of accountability. Although the ULDA assumes statutory planning powers for sites within UDAs from the local authority, the Authority itself is not democratically elected and, with one exception, there are no applicant or third party appeals rights on planning decisions within UDAs once Development Schemes are approved.¹ Some interviewees felt that having such a powerful unelected authority was a real threat to the democratic process in Queensland. Several local councils and

¹ Whilst it is the case that there are no appeals rights on UDAs once Development Schemes are approved, there are processes for Ministerial Call-in and Judicial Review, and the ULDA has processes in place to resolve issues with aggrieved applicants or submitters prior to its issuing a decision. The latter means that issues with applications can usually be resolved before decisions are made, saving time and money in appeals processes. There is one exception that grants appeals rights. An applicant can appeal a condition for which a nominated assessing authority (usually a government agency) is responsible. An example might be a condition by the Department of Transport and Main Roads for transport infrastructure obligations – this condition could be appealed with the Planning and Environment Court.

communities have been hostile to the ULDA when UDAs have been declared in their area, primarily on these grounds. For local authorities, this has often been because the councils themselves stand to lose control over what happens on sites in UDAs, yet the responsibility for those sites will be transferred back to them once development is complete. Opposition from local communities has generally concerned the removal of planning powers from elected local authorities and the absence of any third party appeals rights on the ULDA's decisions. Some interviewees suggested, however, that certain less well-resourced local authorities had welcomed the declaration of a UDA in their jurisdiction as an opportunity to secure major change that would otherwise not have been possible.

There was mixed opinion on the relationship between the ULDA and other government departments. Representatives from the Department of Local Government and Planning had been heavily involved in shaping development schemes for some UDAs and were positive about their relationship with the ULDA, but some representatives of the Department of Communities felt that they too rarely had any influence on development outcomes, despite their expertise and experience in housing issues. While there was a view among some government representatives that local authorities had not been as heavily involved in shaping development outcomes in UDAs as they perhaps should have been, there was also a suggestion that the removal of planning responsibility from local authorities had resulted in decision-making being less susceptible to influence from lobbying and 'NIMBYism'; outcomes on UDAs have tended to reflect state priorities and policy directions, rather than local vested interests.

Some interviewees suggested that the ULDA's approach to delivering affordable housing was flawed. This, they argued, was because most of the affordable housing being delivered by the ULDA was not targeted to eligible groups, nor was there any guarantee that it would not be on-sold later for a price that was not affordable. A Queensland Government representative suggested that the measures used by the ULDA to define affordable market housing in UDAs were unambitious and had simply ensured that there was a 'nice easy target to hit', adding that the affordable outcomes have been unimaginative and 'disappointing, because all [the ULDA have] done is facilitate lower-priced product for purchase by anybody'. The same interviewee did welcome the ULDA's proposal to target new properties to eligible groups through the 'My Place' scheme (see Section 4.5), however, and was pushing for them to use their competitive neutrality funding to subsidise affordable rental housing, through an NRAS-type scheme.

4.7 Summary

A responsibility for improving housing affordability is embedded in the ULDA's purpose and legislative mandate. The Authority was established in a context where improved efficiency was sought by the Queensland Government from the planning and development assessment system, and the organisation's structure and approach reflect this. Housing is seen by the ULDA to be affordable where a household is spending no more than 30 per cent of its gross household income on rent, or no more than 35 per cent on a mortgage. The groups targeted by the ULDA are households with incomes ranging between \$44 000–105 000. The approach used in the case study UDAs has been to require certain levels of affordable housing provision from developers, through the planning process, but not to place upon property developers any requirements that would harm development viability; the intention is that the costs of affordable housing planning requirements are offset by the certainty and increased development yields provided by the ULDA's development schemes, and by the streamlined development assessment processes. Significantly for the purposes of this

report, the UDAs in urban renewal contexts are all large and strategically important sites in inner-Brisbane.

The ULDA's philosophy is to act commercially, to operate only where the market is failing, and not to distort the market. Because it is financially autonomous, it is able to (and does) reinvest its dividends in affordable housing outcomes; a number of new initiatives in this area are currently being planned or trialled. Its financial autonomy and planning function distinguish the ULDA from most other land development agencies in Australia. The affordable housing it has delivered in the case study urban renewal sites to date has been mostly studios and one bedroom apartments for market sale at or below a price threshold. However, the Brisbane Housing Company has been able to acquire sites from the ULDA on negotiated terms and over three-hundred NRAS incentives have also been approved at Bowen Hills for projects being developed by for-profit providers. There was little doubt among those interviewed that the ULDA has been effective in bringing land to market and delivering affordable housing for moderate income groups, and it would seem to have the support of the development industry and the NFP housing sector. For the latter, the ULDA's streamlined planning process has allowed them to make much better use of NBESP and NRAS funding sources than would otherwise have been possible.

Several interviewees did express concerns about the retention of the affordable market housing product delivered on UDAs and the local accountability of the ULDA. For most of the properties built in UDAs, there are no measures in place to target eligible groups and no restrictions on re-sales. The view from ULDA employees on this issue was that because such housing has been delivered through the market, it is inherently affordable. For some representatives of other Queensland Government departments, however, this approach was flawed; their sense was that the ULDA could and should be doing more to target and retain affordable housing, and to broaden its scope to include lower income groups. The issue of the ULDA's local accountability is another thorny one. The Authority was set up with wide-ranging powers that provide it with almost total control over development outcomes in UDAs. A lack of appeals rights on UDAs and the unelected nature of the Authority were all raised as issues by interviewees, and similar concerns have been expressed in the media.

The ULDA's statutory planning powers, development expertise and relative financial autonomy make it an extremely powerful body, and its embedded housing affordability agenda means that the Authority's success is measured in large part by the quantum of affordable housing delivered on UDAs. Certainly, large numbers of affordable housing units have already been delivered at Bowen Hills and Northshore Hamilton, and the requirements placed upon developers do not seem to have impacted development viability. However, most of the affordable housing product delivered has been studios and one-bedroom apartments with no restrictions on ownership and on-selling; the affordable housing in Bowen Hills and Northshore Hamilton has mostly been delivered by developers through reductions in the size of units, there is limited housing diversity and there is no guarantee that the groups buying or renting properties will be the eligible moderate income groups that are targeted. In addition, 80 per cent of market rate in these areas (the discount in rental rate required by government for NRAS properties) will still be unaffordable to most people in the ULDA's target income bracket. The affordable housing being delivered on UDAs will therefore be available only to a narrow cross-section of the population.

It has been important for the ULDA not to place onerous requirements upon developers in its early years, in order to establish credibility with them and to gain their support. However, it is clear from the figures provided in the case studies above that

affordable housing requirements on UDAs could be higher without harming development viability. In our view, the ULDA could also be doing more for lower income groups, particularly by experimenting with its Competitive Neutrality funding. There are signs that the Authority is increasingly moving into this area through the shared equity and My Place schemes (although most of its planned initiatives currently seem to be targeted at resource-boom towns, not urban renewal sites), and we strongly support the move to target the shared-equity scheme at Northshore Hamilton to specific groups through income assessment.

Additional strategies for consideration might include preferential sales terms and/or conditions for NFP providers and for-profit developers providing a high proportion of product at an affordable level, or perhaps greater incentives for developers that include an increased component of affordable housing in their projects or a component that is affordable to lower income groups (an extension to the superior design initiative). The ULDA could also cross-subsidise affordable housing development on UDAs or could fund an NRAS-type system in which it subsidises affordable rental for a specified period. We accept, however, that these two strategies would involve the ULDA moving into housing subsidies; an area in which it does not wish to operate. An alternative approach that would not involve any subsidy might then be to facilitate affordable housing development by leasing land to affordable housing providers or eligible households in a model akin to a Community Land Trust (Davis 2010) or the Land Rent Scheme in the ACT (ACT Government 2008).

The ULDA is a young, powerful and ambitious organisation that has undoubtedly made a positive contribution to housing affordability in Queensland in the five years it has existed. The organisation has the tools and the capabilities to deliver major improvements to housing affordability across the state, but until it looks beyond affordable market housing and moderate-income target groups, its full potential in this area is unlikely to be fully realised.

Table 10: Summary of the ULDA's approach to planning for affordable housing

Variable	Detail
Legislation	Urban Land Development Authority Act 2007 establishes the ULDA
Geographical Coverage	Declared Urban Development Areas (UDAs) currently totalling over 19 000ha of greenfield and brownfield land
Planning provisions	<p>ULDA is planning approval authority for UDAs.</p> <p>Streamlined approval process with statutory 40 day turnaround.</p> <p>Development schemes for all UDAs prepared by ULDA. These set out requirements for housing diversity and require a given percentage of total dwellings as affordable market housing.</p> <p>Density bonuses available on some sites for increased provision of affordable housing.</p>
Affordable housing definition used	Generally market housing delivered below a pre-determined price threshold—target groups are low-moderate income earners earning between \$44 000–105 000 annually.
Supporting tools	<p>ULDA can undertake strategic site remediation and infrastructure works.</p> <p>Pre-application discussions with developers.</p> <p>ULDA Housing Strategy and design guidance.</p> <p>ULDA shared equity scheme for certain sites.</p>

Addendum

A few months after the fieldwork for this research was undertaken, the issue of the ULDA's accountability became a key political issue in the build-up to the Queensland State election of March 2012. The ULDA was established in 2007 by the incumbent Labor government at a time when the now-leader of the Liberal-National opposition party, Campbell Newman, had been Mayor of Brisbane. In this position as Mayor, Newman had seen the planning and development powers for several major renewal sites in the council's jurisdiction transferred to the ULDA. He and other representatives from local government had been vocal in their opposition to this. In a local newspaper article entitled *Government trampling on rights of councils* in 2010, Newman (as Mayor of Brisbane) was quoted as saying:

The ULDA is unelected, unaccountable and busily pushing the planning policies of unelected state government bureaucrats on local communities ... Residents are being denied a say in the big debates about the future shape of their communities. (*Brisbane Times* 2010)

On becoming the leader of the Liberal-National opposition party in 2011, one of Newman's key political platforms was a commitment to roll back the powers of the ULDA and return planning powers to local councils, should he become Premier in the 2012 election. In the days running up to the election, he suggested not only that the ULDA was undemocratic, but that it was far too close to the development industry:

... the Labor party created a thing called the Urban Land Development Authority which [the Liberal-National party] want to wind up. What it does is it goes into local communities in Brisbane and it says right, this bit of area here, we're taking that out of the Brisbane City Council's control. They become the planning authority with incredible powers, no openness, no transparency, ministerial signoff and look at the Labor Party donations and look at the companies that are operating in those Urban Development Areas. (ABC Brisbane 2012)

Newman's Liberal-National party gained a landslide victory in the 2012 election, and Premier Newman quickly moved to reduce the ULDA's powers by returning planning approval powers for UDAs in Brisbane back to the City Council, through a delegation clause in the ULDA Act. Brisbane City Council now has the powers that the ULDA had for UDAs within Brisbane City, as well as a mandate to deliver the same level of planning efficiency. Further legislation is expected that will further unwind the ULDA's powers although the details of this are uncertain at the time of writing.

5 PLANNING FOR AFFORDABLE HOUSING IN SOUTH AUSTRALIA

In South Australia, the primary planning mechanism for delivering affordable housing is an inclusionary zoning control for all 'significant' new housing developments. Introduced through the Housing Plan for South Australia in 2005, this control requires that 15 per cent of all new dwellings in all significant development projects are affordable, including at least 5 per cent for high-needs groups. Initially, the 15 per cent affordable housing requirement was primarily applied to government land releases on the urban fringe. However, as spatial plans have increasingly supported a shift towards a more compact Adelaide, the policy is now beginning to be applied to urban renewal sites. In this chapter, three urban renewal projects (two led by government agencies and one by a private-sector consortium) provide case studies through which to examine this approach. The findings reported in this chapter are based on a review of policy and literature on planning for affordable housing in SA, as well as interviews with senior representatives from SA Government housing, planning and land development agencies, local government, property developers, NFP housing providers and housing and property development interest groups.

5.1 State-wide affordable housing policy framework

The SA Strategic Plan is the primary policy document of the SA Government. First introduced in 2004, the Strategic Plan outlines priorities and targets for the medium and long term across a range of policy areas including health, education, housing and transport. In March 2005, as part of a suite of policies designed to support the Strategic Plan, the SA Government introduced the 'Housing Plan for South Australia'. Among other initiatives, this Plan sought to build stronger links between planning and development policies and processes, and housing targets. Through it, the SA Government made a commitment to:

Expand the supply of affordable housing by implementing a target of 10 per cent affordable and 5 per cent high need housing in all significant new housing developments. (SA Government 2005, p.17)

A series of legislative and policy changes were necessary in order to implement the affordable housing objectives set out in the Housing Plan. Foremost among these were the following (SA Government 2010):

- Explicit references made to affordable housing within the Development Act 1993 (the legislative basis for planning and development regulation decision-making), through the *Statutes Amendment (Affordable Housing) Act 2007*.
- Affordable Housing policies incorporated in the 'Planning Strategy'; the strategic policy direction for land use and development planning in SA for the medium term (see below).
- Affordable housing targets adopted for the release of government land and reflected in *Department Premier and Cabinet circular 114* in August 2006.
- The Gazettal under the *South Australian Housing Trust Regulations 1995* to describe the criteria for affordable housing, including price points, as a reference for development plan policies and development applications under the *Development Act 1993*.
- A standard Affordable Housing Overlay established within the SA planning policy library. This planning policy library provides a series of template planning policies for use by local authorities in their development plans. The Affordable Housing

Overlay sets a target for 15 per cent of housing in all new significant developments to be provided as affordable housing, in line with the directions set out in the *Housing Plan*.

Together, these changes provided the legislative and policy basis for the implementation of the 15 per cent affordable housing requirement. Strategic and local planning policy directions now mirror those set out in the 2005 Housing Plan, and there are mechanisms for delivering affordable housing through the local development assessment process. Local authority Development Plans form the basis for assessment of residential development applications where affordable housing is proposed or required (discussed in Section 5.2), but Housing SA is a statutory referral authority for all projects of 20 dwellings or more that include affordable housing. Through its Affordable Housing and Asset Strategy Unit (AHASU), Housing SA is also responsible for reaching legal agreements with developers regarding affordable housing provision on individual sites, and for monitoring and enforcing those agreements as development progresses. The AHASU also provides a package of tools for local government and industry to assist with the implementation of the 15 per cent target. These include:

- A *Local government resource kit*, which provides descriptions of the affordable housing policy framework in SA and guidance on affordable housing strategies for local authorities (SA Government 2011a).
- *Affordable Housing Design Guidelines* (SA Government no date).
- The Affordable Homes 'Property Locator'. All affordable housing units contributing towards the 15 per cent affordable housing requirements for a site are listed on the Property Locator website for 90 days, exclusively to eligible low and moderate-income buyers, as determined by Housing SA. If the properties do not sell within this period, they can be offered for sale on the open market—see <http://www.homestart.com.au/property-locator/property-locator.asp>, (accessed 11 November 2011).
- Template Legal agreements to secure affordable housing outcomes.

The criteria used in SA to define Affordable Housing are affordable home purchase price points for low and moderate income households (households earning up to 120% of the gross annual median income), with the precise purchase prices updated annually and specified by gazettal notice. The price points for affordable housing are calculated on the basis that in order to be affordable, mortgage or rental payments for a property should be less than 30 per cent of gross household income. In 2011, this translated to an affordable purchase price of \$288 000 in Adelaide and \$244 000 for the rest of the state (SA Government 2011b, p.4253). For a dwelling to be defined by Housing SA as affordable housing (and therefore for it to contribute towards the 15% requirement on a site), it must be offered for sale to eligible buyers through the Property Locator at or below the gazetted price threshold, and must be subject to a legally binding agreement to ensure these requirements are met (SA Government 2011b, p.4253).

5.2 Regional and local planning framework

Strategic planning policy directions in South Australia are set out in the Department of Planning and Local Government's Planning Strategy; the spatial expression of the South Australia Strategic Plan. The Planning Strategy is broken down into a series of volumes, each applying to a specific geographical area. The 30-Year Plan for Adelaide provides strategic policy guidance for the Adelaide metropolitan area, and reinforces the SA Government's commitment to ensuring that 15 per cent of all

dwellings on significant sites are provided as affordable housing. The 30-Year Plan also reiterates the meaning of 'significant new developments', as earlier discussed in the 2005 Housing Plan (SA Government 2010, p.98). Significant new developments where the 15 per cent affordable housing requirement applies include:

- state significant areas and other areas subject to structure or precinct plans
- areas where rezoning substantially increases dwelling potential
- major developments that include housing (being developments declared by the Planning Minister, and where the SA Government is the consent authority)
- residential development on surplus government land.

Development plans are the statutory planning instruments against which development applications are assessed in South Australia, and they form the statutory basis for implementing the 15 per cent affordable housing requirement. Typically prepared by local governments, Development Plans can also be prepared (or amended) by the SA Government through the Minister. Following recent planning reforms, each Development Plan will in the future comprise a series of template policies or overlays taken from the 'South Australian Planning Policy Library' (SA Government 2011c); a suite of template policies and overlays prepared by the SA Government through the Department of Planning and Local Government.

The Affordable Housing Overlay, which enables the implementation of the 15 per cent policy, was released in September 2011 (SA Government 2011d). Before its introduction, bespoke overlays, or policies of equivalent effect, were included in development plans for sites where the 15 per cent policy applied (pers. communication, interview data). The Affordable Housing Overlay is expected to apply to all significant new developments, as defined in the Planning Strategy. Once the Development Plan has established the application of the 15 per cent policy to a site and, importantly, adopted the gazetted definition of affordable housing, the development application and approvals process operates as it would for other development. The South Australian Planning Policy Library also includes other template planning policies with incentives and concessions that encourage the supply of affordable housing, in areas where the general residential zoning module applies. The incentives offered to developers of affordable housing include less onerous requirements regarding car parking, open space and lot size (SA Government 2011d, p.3). These templates are available, though not compulsory, for local councils to use.

Representatives of state and local government stated in interviews that extensive pre-application consultation between developers, local authorities and Housing SA's AHASU was expected for sites including affordable housing. This was for three main reasons. First, a land management agreement, through which the AHASU can place a restrictive covenant on the land title, is necessary for the proposed affordable housing to meet the gazetted definition, and to therefore enable subsequent development approvals. Second, before entering into a land management agreement, the AHASU require an 'Affordable Housing Plan' that outlines details of the proposed affordable housing, including the number, type, timing, and expected location of the affordable dwellings. Third, it is possible to remove the need for referrals that are otherwise built into the development assessment legislation to confirm any proposed affordable housing meets the conditions of the definition (SA Government 2011e, p.10). A local government planner did comment that the referral process was mostly cursory, and that little feedback was provided from the AHASU through referrals. It was seen as an additional check to ensure staged developments were progressing as initially agreed.

5.3 Implementing the 15 per cent affordable housing requirement

The incorporation of the standard Affordable Housing Overlay into Development Plans in coming years will provide the primary mechanism for delivering affordable housing in significant new residential developments, through the development assessment process. As all Development Plans must be approved by the Minister for Planning, their compliance with the SA Government's 15 per cent policy is effectively assured, irrespective of local government support for affordable housing. This means that Local Government Authorities will have limited scope to influence the sites upon which affordable housing is required, although they will be able to apply optional provisions in other residential zones to incentivise affordable housing development, as discussed above. In practice, to date at least, it has been more usual for sites where the 15 per cent policy applies to have the local Development Plan amended by the SA Government, rather than by local councils. It was suggested by interviewees that the former is a faster process, and it had been used in some of the case studies discussed below. Most of the amendments may also have been made by the SA Government because, to date, the 15 per cent policy has been applied mostly to government land.

As noted above, the strategic targets state that one third of the 15 per cent, or 5 per cent of total new dwellings, are for 'high needs' housing tenants. High need is not explicitly defined, but it is essentially the group that has been the focus of public (and other social) housing allocation in recent years. Interviewees from the AHASU also indicated that the 15 per cent is ideally split evenly between purchasers (to occupy), renters, and high need tenants. There is typically no need to involve the NFP housing sector where the dwellings are sold directly to occupants. Where the dwelling is to be rented, however, there is an expectation that the NFP housing sector will play a role. Registered housing providers are listed as eligible purchasers under the gazetted definition of affordable housing, as are purchasers seeking to use NRAS (who need not be registered housing providers).

NFP housing providers in South Australia mainly (although not exclusively) specialise in tenant management, and most have limited assets, financial backing or expertise in property development. High need housing owners cannot typically service a debt through rental receipts alone, and they therefore require additional government support. This has been provided, to date, through homelessness programs funded under the NBESP, other high needs housing programs funded by the Affordable Housing Innovations Program (itself funded through sales of public housing stock), or mental health and community care programs (pers. communication, interview data). The result has been a heavily subsidised high-need housing supply, delivered through NFP providers that rely upon financial assistance from government. The sector remains unable to take advantage of opportunities to develop a portfolio of rental dwellings for the 'median household' range of tenants, which would perhaps enable a greater degree of internal cross-subsidisation for high needs housing. Interviewees acknowledged that the delivery of the 5 per cent high-needs housing was currently challenging, and the AHASU have identified the need to increase the NFP sector's capacity.

For all 'significant' developments, it then becomes a condition of planning approval that 15 per cent of all dwellings are provided as affordable housing, and that a third of these are for high-need groups. This 15 per cent policy establishes what is required. The abovementioned site-specific Affordable Housing Plan, land management agreement and covenant on the land title then determine how and when the affordable housing will be delivered in a project. Once a project is underway, the

developer is required to report regularly to the AHASU on their progress in the delivery of the agreed affordable housing units.

According to figures supplied by the AHASU, as at 31 October 2011, 2248 affordable housing units had been committed under the 15 per cent policy, of which 1166 (52%) were on land owned by the SA Government, through Housing SA or the Land Management Corporation (LMC), its land development agency (Table 11). These figures do not include the affordable housing units to be provided at two of the case studies discussed below (Cheltenham Park Racecourse & Bowden Urban Village), as the Land Management Agreements for these two projects had not been registered at the time of this fieldwork. Housing SA figures also indicate that as at 31 October 2011, 2165 total housing outcomes are committed on urban renewal and infill sites under the 15 per cent policy, with 562 (26%) of these to be affordable housing (Table 12). This figure of 2 per cent is significantly higher than its equivalent for all sites (16%), in large part because several of the urban renewal projects involve the redevelopment of areas previously dominated by public housing. As at 31 October 2011, 25 per cent of all affordable housing units approved under the 15 per cent policy in SA were on urban renewal and infill sites (562 out of 2248).

Table 11: Total affordable housing outcomes secured through the 15 per cent inclusionary zoning control as at 31 October 2011

Proponent /mechanism used	Total housing outcomes	Affordable Housing outcomes	Expected % Affordable Housing	Delivered to date
Housing SA	1,989	463	23%	109
Land Management Agreement	7,289	1,039	14%	345
LMC	4,433	703	16%	177
Voluntary contributions	79	43	54%	-
Total	13,790	2,248	16%	631

Source: Unpublished data from Housing SA Affordable Housing Agreement Tracking System (AHATS)

Table 12: Total affordable housing outcomes secured through the 15 per cent inclusionary zoning control on urban renewal and infill sites as at 30 October 2011

Proponent /mechanism used	Total housing outcomes	Affordable Housing outcomes	Expected % Affordable Housing	Delivered to date
Housing SA	771	318	41%	86
Land Management Agreement	247	37	15%	-
LMC	1069	165	15%	85
Voluntary contributions	78	42	54%	-
Total	2,165	562	26%	171

Source: Unpublished data from Housing SA Affordable Housing Agreement Tracking System (AHATS)

Significantly in the context of this report, Housing SA's figures include few redevelopment sites on privately-owned land, with the majority of affordable housing outcomes secured so far on urban renewal and infill sites being on land previously owned by Housing SA or the LMC, reflecting the staging of the policy's implementation. Looking forward, Housing SA staff said that the majority of commitments currently under negotiation are for projects on privately-owned land and that an increasing number will be involving urban renewal in forthcoming years. Table 13 provides figures on affordable housing outcomes under negotiation at 2 March 2012. A total of 1827 outcomes are currently under negotiation, although only one small site involves urban renewal.

Table 13: Affordable housing outcomes under negotiation through the 15 per cent inclusionary zoning control as at 2 March 2012

Proponent /mechanism used	Estimated total housing outcomes	Estimated affordable housing outcomes	Estimated percentage affordable housing
Housing SA	71	29	41%
Land Management Agreement	11,135	1,726	16%
Voluntary contributions	179	72	40%
Total	11,385	1,827	16%

Source: Unpublished data from Housing SA Affordable Housing Agreement Tracking System (AHATS)

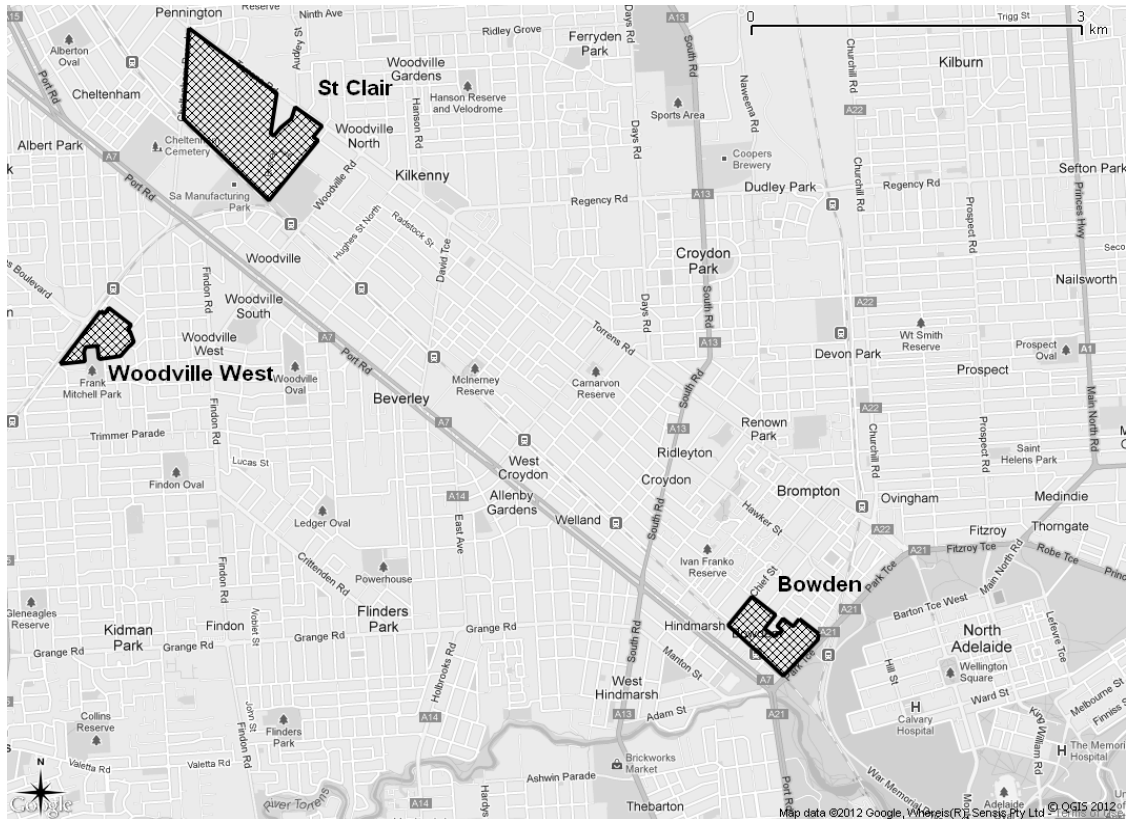
5.4 Case studies

5.4.1 Case Study 1: Cheltenham Park Racecourse (St Clair)

In 2006, the South Australian Jockey Club decided to end horseracing at the Cheltenham Park Racecourse, and requested the site be rezoned for other uses. The 49ha site is located in the City of Charles Sturt, 10km northwest of Adelaide's CBD and 5km east of the coast (Figure 4). Following the SA Government's consideration of the request for rezoning, a draft planning amendment was released by the Minister for Urban Development and Planning for public consultation in 2007. The amendment would rezone the site as a mixed-use, but mostly residential, precinct of buildings between two and four storeys with 17ha of open space. A minimum of 15 per cent of housing was to be affordable, including 5 per cent for high-needs groups, in line with the directions set out in the SA Housing Plan and Planning Strategy. The planning amendment was approved and became part of the Charles Sturt Council Development Plan in 2008 (see Charles Sturt Council 2010).

The rights to redevelop the former-racecourse site were acquired by joint-venture partners AV Jennings and Urban Pacific, with redevelopment co-ordinated through a site-specific joint-venture. Together with an adjacent 15ha former-industrial site, the former racecourse was to be redeveloped through a staged master plan, marketed as St Clair. Because the former-industrial site was rezoned some years earlier, the 15 per cent affordable housing requirement did not apply to this portion of the site, only to the former-racecourse site. The joint master plan for the two sites estimates that the St Clair project will eventually be home to around 3000 residents, living in 1211 houses and apartments.

Figure 4: Locations of SA case studies—Adelaide CBD just outside the map to the southeast



Source: Quantum GIS Development Team, 2012. Quantum GIS Geographic Information System

Across the site, just over 15 per cent of the dwelling quota for the former-racecourse site will be affordable housing (187 units), including around 10 units for high-needs groups. It is currently estimated by the developer that 60 per cent of the affordable units will be for rental and 40 per cent owner-occupied, with dwelling types split equally between apartments/studios, terraces/townhouses and conventional lots. Many of the affordable rental units will have NRAS subsidies attached, some (but not all) of which will be managed by NFP housing provider Unity Housing. Eight of the ten units for high-needs groups will also be sold to Unity Housing, who will then rent out the property to tenants directly, or to government service providers.

Figure 5: Examples of affordable housing outcomes delivered at St Clair to date



© St Clair

Land values in the City of Charles Sturt are high and the acquisition of properties at St Clair by Unity Housing has been made possible by multiple subsidies. According to developers, the project would not otherwise have been financially viable. The City of Charles Sturt was granted \$12m from the Commonwealth Housing Affordability Fund (HAF) towards the redevelopment of the site. Some of this money was used to fill the gap between the price of the dwelling delivered by the developer and the price that Unity Housing could afford to pay. Unity Housing also sourced funding for the units (as well as from debt finance) from the SA Government through the NBESP, high-needs housing programs funded by the Affordable Housing Innovations Program (itself funded through sales of public housing stock), and through mental health and community care programs funded by the Department of Health. To date, 27 affordable units have been delivered on the site (Figure 5).

5.4.2 Case Study 2: Woodville West neighbourhood renewal project

The second case study was also in the City of Charles Sturt, a short distance southwest of St Clair (Figure 4). Here the 15 per cent affordable housing requirement applies to the redevelopment of 13ha of Housing SA-owned land, and will actually be exceeded. The area affected by redevelopment primarily consists of semi-detached dwellings, constructed by the South Australian Housing Trust from the 1940s onwards. Many are now expensive to maintain and a limited number have been sold into private ownership. Redevelopment was made possible by the funding provided through the NBESP for new housing construction and a \$9.5m HAF grant for infrastructure installation. The project will be delivered in several stages. The NBESP and HAF money will provide seed funding for the early stages of development, with revenue from sales to be reinvested in later stages of development. It is hoped that the project will ultimately become cost-neutral.

Figure 6: A visualisation of one of the affordable housing units proposed at 'The Square', Woodville West. This unit type is known as a 'laneway loft'



© Housing SA

Following consultation and visioning exercises with the local community in early 2010, a master plan for the redevelopment of the site was prepared by Housing SA. This then became part of a draft planning amendment that was released for public consultation in late 2010, and which subsequently became part of the Charles Sturt Development Plan (Charles Sturt Council 2010). This plan permits the site to be redeveloped as 400–600 dwellings, in buildings ranging from 1–6 storeys, and

including around 170 affordable units. Dwellings will be a mix of detached dwellings, townhouses, villas and apartments. The plans approved by the SA Government for the site, according to representatives interviewed from Housing SA who were managing the project, envisage that there will be a total of around 425 dwellings developed on the site, of which 115 (27%) will be affordable market housing for sale, 64 (15%) will be public housing and 8 (2%) will be for people with disabilities. These figures and the mix of dwelling types may be subject to change, however, particularly if there is a weak market response to the new apartment product of three or more storeys. There is currently little medium or high rise residential development in Adelaide outside the CBD and beachside suburbs, and there was some scepticism among interviewees about whether such a product would sell in Charles Sturt. Redevelopment is currently underway, with the project being marketed as 'The Square'. The first stage of development comprises a total of 69 dwellings, of which 58 will be market for sale. The returns on these market units will be reinvested in subsequent stages of the project.

5.4.3 Case Study 3: Bowden project

At Bowden, to the southeast of St Clair and Woodville West, also in the City of Charles Sturt, the LMC is currently planning and co-ordinating the renewal of a 16ha former-industrial site adjacent to the Outer Harbour rail line (Figure 4). The LMC received financial support from the SA Treasury to acquire two parcels of under-utilised industrial land in 2008 and 2009. The sites were together seen to represent a strategic opportunity to facilitate a transit-oriented development project of state significance, but an opportunity that was unlikely to be delivered by the market alone. Due to their former industrial uses, the two sites were contaminated and required substantial remediation before they could be redeveloped – this remediation is to be staged and will be funded by the SA Government.

In 2009, a series of public consultation and visioning exercises were undertaken by the LMC and the City of Charles Sturt. A Bowden Reference Group was also established, comprising a range of community members, with preference given to people who lived locally. A master plan was developed for the LMC by a private firm in 2009 and further refined in 2010. A draft planning amendment for the site is anticipated for release by the Minister of Planning for public consultation in 2012. This amendment would rezone the site, and some adjoining areas, for mixed-use development.

The LMC's master plan envisages that the redevelopment project will eventually provide 2400 dwellings, with an expected population of 3500. Land parcels will be sold to property developers, with 15 per cent of all dwellings across the site to be delivered as affordable housing in line with government policy. Various strategies will be used by the LMC to facilitate the delivery of this affordable housing component. First, certain allotments on the site will be sold to developers with the condition that a prescribed level of affordable housing is included; indicative sites have already been identified in consultation with Housing SA. It is also proposed that a proportion of affordable housing be delivered by way of purpose-designed buildings within identified land parcels. The LMC will assist developers in the delivery of such affordable housing on-site by providing guidance and advice on how affordability can be designed into apartments through the use of innovative design, building methods and materials. Affordable home purchase will be supported by finance packages, including through HomeStart, a SA Government lender. Site works were underway at the time of writing, and it is expected that the first land parcels at Bowden will be released to private developers by the LMC in 2012.

Table 14: Summary of planning provisions in SA case studies

Project / site name	Streamlined approval	Housing diversity required	Percentage affordable housing required	Voluntary density bonus for affordable housing provision	Government land / subsidy
Cheltenham Racecourse	x	✓	15% total dwellings including 5% for high-needs groups	x	✓
Woodville West	x	✓	15% total dwellings including 5% for high-needs groups	x	✓
Bowden	x	✓	15% total dwellings including 5% for high-needs groups	x	✓

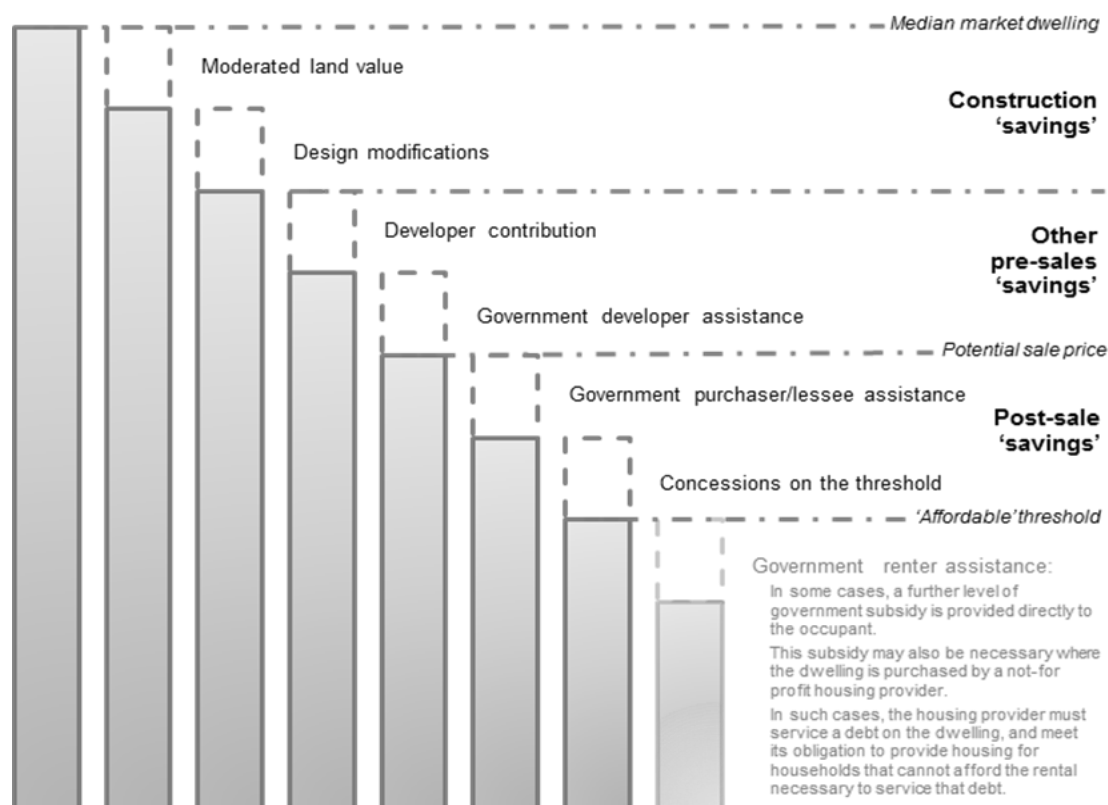
5.5 The savings ‘cocktail’ and the affordable threshold

In South Australia, the 15 per cent affordable housing requirement establishes what is required, but not how it is achieved. In this section, we consider the ways that the affordable housing component of projects has so far been delivered in practice. In effect, the definition of affordable housing means that 15 per cent of the final dwellings must be delivered below a specific price point.

The development sector and government proponents have used a number of ‘savings’ sources in order to reduce the cost of housing and reach that price point. First, some cost reductions are made in the construction process through design modifications or lower land purchase prices. Second, contributions and concessions by the developer or the government before final sale reduce the cost of the housing at the point of sale. Finally, contributions by the government to the purchaser or other concessions on the price point threshold mean that some housing can be delivered above the threshold but still be considered affordable housing.

These savings sources are shown in Figure 7, and are each discussed in turn below. The proportion of the savings that each source contributes, or indeed whether a given source is necessary, varies from project to project. The bars for each saving source in Figure 7 are therefore not shown in proportion, and are purely illustrative.

Figure 7: Indicative diagram showing different ‘saving’ sources used to reach the affordable housing threshold in SA



Moderated land value

Where the cost impact to a developer of incorporating the required affordable housing is known, it can be factored into any feasibility assessments, which in turn reduces the residual land value and purchase price for potential developers. Given that the SA requirement of 15 per cent is known, and is embedded in planning control amendments that otherwise increase land value, this is a moderation of growth in land value, rather than a reduction in land value. In projects where land was purchased speculatively (i.e. at a price assuming a future rezoning and development yield) by a developer before the introduction of the 15 per cent policy, or where the cost of delivering it was not accurately predicted, this discounting is not possible. In government-owned land releases, a lower return on land assets due to an affordable housing requirement effectively can be seen as government contribution towards affordable housing provision.

Design modifications

In certain outer-suburban projects, some standard dwellings that are below the median dwelling price are already below the gazetted affordable price point. In other cases, design modifications can enable the delivery of a market product below the affordable price point. This includes smaller lot sizes, smaller dwellings and other construction cost savings—through concessions on car parking, set-back, sunlight access or other building standards. In such cases no other ‘savings’ would be necessary. In inner-urban developments, however, more significant modifications are generally required to deliver an affordable housing product. Examples include the incorporation of ‘mews’ dwellings, row housing, ‘mansion houses’ and apartments; housing products that typically deliver a higher development yield than detached

dwellings. The cost of building these higher-yield housing products is generally higher than detached dwellings. In Adelaide, the possibility of a weak market response to medium and high density housing product outside the CBD and beachside suburbs also increases risk and could result in lower profit margins for developers, as interviewees raised in the case of St Clair. These lower margins would need to be offset through a moderated land value or would equate to a form of developer contribution.

Developer contribution

The requirement to deliver affordable housing could come at a cost to the developer. The delivery of the affordable housing in SA, though, is an effective contribution in the form of lower profits, rather than any material financial contribution. Possible costs reducing developer profit include holding costs (while awaiting sales through the 'property locator', see Section 5.1), lower profit margins on affordable products, and higher administrative overheads (due to negotiations over a project's affordable housing component, legal costs and Housing SA's reporting requirements). Given that lower profits would ultimately slow down rates of new development, no developer contributions are intended to form part of the 15 per cent policy, and as the abovementioned costs become clearer through experience, developers will be able to build them into the price that they pay for land.

Government developer assistance

Interviewees indicated that in inner-urban and middle-ring projects, government funding was necessary to subsidise development costs if housing was to be delivered below the affordable price point. In the case studies, this subsidy had so far been made available to them through HAF grants and the NBESP. Neither of these sources of funds is universally available or ongoing. Further subsidies for the high-needs housing had been sourced through funding programs offered by the SA Government Housing and Health departments. The developer contribution (or the reduction in land value) that would be necessary in the absence of these subsidies would potentially reduce profit margins, particularly where the market value of higher density housing is lower than or near to construction costs.

Government purchaser/lessee assistance

In inner-urban developments, the lowest possible cost of delivering housing may still be above the gazetted affordable threshold, making further government contribution necessary. Where the purchaser is also the occupant, the SA Government has, in some cases, arranged a shared equity scheme to 'top up' purchaser loans, enabling a sale price over the threshold price. The funding for the government share is provided through different channels, but ultimately through the land owner. Where the dwelling is rented to an eligible household, NRAS funding is available to the property owner (or agent/partner) for 10 years to subsidise rental rates, thus enabling the owner to service a higher loan and increase the sale price (after this 10-year period, there is no mechanism to ensure the housing remains affordable). Similarly, where the purchaser is a NFP housing provider (specifically a preferred 'growth' provider), funding has been available through the Affordable Housing Innovations program at Housing SA, enabling a higher purchase price while retaining a low debt to service through rental returns.

Concessions on 'affordable' threshold

In order to reflect both the higher cost of infill development and the other priorities of the government, a higher price point for 'affordable housing' is set in areas near public transport nodes, or where projects perform well environmentally. This is in recognition

of the other cost-of-living savings that such dwellings provide for their residents, for instance in the form of lower transportation and utility costs. These concessions enable a price point that is up to 15 per cent higher than would otherwise be considered affordable. It appears that the threshold for purchaser eligibility does not change with this higher price point.

As becomes clear from the case studies, and as shown in Figure 7, more than one source of savings is often necessary to get from a typical market product in a given area (shown in the figure as a median market dwelling) to an affordable product that is below the gazetted 'affordable housing' price point. In most cases, affordable housing for purchase is built to the prescribed price threshold. As noted above, this could be at the lower end of the market range of housing, or brought within that range through design modifications or through delivering more diverse housing options. In some developments on the fringe, such design modifications were the only savings necessary, although as many of the first sites to implement the 15 per cent policy were government owned, it could be that a lower return on the land asset was accepted there (or, at least, risked there). It was evident though, that other privately-owned land releases at the fringe were comfortably achieving the 15 per cent targets at the time of this field work.

On infill and urban renewal sites, where land values are significantly higher and site remediation is often necessary, designing to the gazetted price point is not always achievable. In the absence of a differential threshold price, this could potentially discourage infill development and force development to the urban fringe. To date, the 15 per cent affordable housing component had only been achieved on major infill sites with other major government subsidies. At St Clair, a partnership with the local council secured a HAF grant, used to subsidise site preparation and construction costs and bringing the sales price closer to the affordable housing price point. As noted above, high needs housing in particular needs additional government support, and despite some funds coming through the various government programs outlined above, the 5 per cent high need housing target was not being met. Of particular concern is the fact that some sources of funding, such as the NBESP, are not ongoing.

Also, in some instances additional concessions on the price points are available and necessary. Concessions are available for transit oriented developments (allowing sales up to \$331 000 in Adelaide in 2011) and a shared equity scheme, known as 'shared value' has been established. The Government effectively arranges additional funds for the difference between the affordable purchase price threshold and the sale price (which can again be as high as \$331 000). At the point of future sale, the government share is paid back (with a share of capital gains), for the government to then use with other eligible purchasers. In the St Clair development there were properties being sold through a combination of the transit oriented development concession and the shared equity scheme.²

Under the gazetted definition of affordable housing, it is also possible to sell affordable housing at a price above the gazetted price point if it is rented through NRAS or a registered NFP housing provider. In effect, funding through NRAS or other contributions to the NFP housing sector further fills the gap between purchase price and the threshold for affordability. The limited rental returns achieved through NRAS (which also limits eligible tenants) or by a NFP housing provider (which is required by registration or charter to rent to low-income households) limits their power to service

² Terrace homes were being sold at \$345 000, which included a \$46 000 government share as part of a 'share value' shared equity scheme, and the purchaser paying \$299 000. The purchaser's price includes an additional \$11 000 concession, enabled by proximity to transport, on the usual gazetted affordable housing threshold of \$288 000.

debt through rent. This effectively keeps the potential sales price low, but that price was able to be above the gazetted price point. At least partly because of this greater potential sales price for NFP housing providers and NRAS rentals, it was suggested by some interviewees that rental makes up a greater share of the affordable housing component in inner-urban developments, as compared with sites at the fringe. At St Clair, it was expected that around 60 per cent of the 15 affordable housing components would be rental properties. Selling to a NFP provider was considered by developers more difficult than selling direct to occupants, and so where housing could be designed to the price point, rental options were not as common.

5.6 Stakeholder perspectives on the 15 per cent affordable housing requirement

Interviewees included senior representatives from SA Government housing and planning departments, local government planners, developers, NFP housing providers and housing and property development interest groups. There was general support for the 15 per cent policy from all groups, albeit with concerns about certain aspects of its implementation from property developers and representatives of the NFP sector. Representatives of Housing SA were interviewed after those from outside the SA Government, and we were therefore able to raise with them the concerns that had been expressed in earlier interviews. Generally, interviewees from Housing SA were aware of the concerns that had been expressed by other interviewees, and were in the process of trying to address them. They viewed the 15 per cent policy as a good start but a work in progress nonetheless. Below, the views of different stakeholders are set out on how well the 15 per cent policy had worked so far.

From interviews and policy review, it was clear that there was a high level of co-operation between the different SA Government agencies involved in implementing the 15 per cent policy, and that the SA Government's housing policy and the statutory planning process were well integrated. Significantly, shifts in the SA planning policy framework had recently been made (or were underway at the time of writing) that were intended to make it simpler to deliver the 15 per cent affordable housing requirement through statutory planning at the local level. While the interviewed planner from the City of Charles Sturt was positive about the 15 per cent policy and believed that it had support from councillors, there was a suggestion from her and several other interviewees that the more conservative councils in Adelaide had been resistant to affordable housing development and therefore also to the introduction of the 15 per cent policy. The changes currently being made to the planning system (discussed in Section 5.2) will make it almost impossible for any local council to prevent the implementation of the 15 per cent policy on state significant areas, other areas subject to structure or precinct plans, areas of rezoning, major developments and residential development on government-owned land. These changes will effectively ensure that the 15 per cent policy can be implemented in a straightforward fashion through the local development assessment process, with Housing SA as a statutory consultee.

Attitudes towards the 15 per cent policy were generally positive among interviewees from state and local government, and the policy was seen to be working smoothly thus far. The developers interviewed believed that the 15 per cent requirement was readily achievable and reasonable for greenfield sites at the urban fringe, but unachievable in inner-urban sites without significant government subsidy. In selecting case studies for this research, we found only one major renewal project located on privately-owned land (Cheltenham Racecourse), and this had been made viable by a \$12m HAF contribution, among other government contributions. Representatives of

Housing SA recognised this as a problem and were planning to 'lead the market' by identifying well-located government-owned land for renewal, and inviting private-sector developers to collaborate with them in its redevelopment. On these sites, it was envisaged that Housing SA and the LMC will work with private developers to deliver affordable product through innovations in design, construction techniques and materials, for example. The hope was that this will demonstrate best practice and stimulate demand for medium-density housing product in Adelaide, while also showcasing to private developers a range of techniques for delivering affordable product efficiently and economically, reducing their need for government subsidy over time.

Beyond questions about the economic feasibility of delivering 15 per cent affordable housing product on inner-urban sites, the private developer interviewees had reservations about some other aspects of the 15 per cent policy. While the 15 per cent requirement did provide some certainty and allow them to factor the cost of providing affordable housing into the price that they paid for land, there were some objections to Housing SA's 'Property Locator' portal, the reporting requirements for projects and the rigidity of the gazetted affordable price points. There was also a feeling that the SA Government did not currently provide enough guidance on how affordable housing could and should actually be delivered (i.e. information on affordable dwelling design, construction, materials, available sources of subsidy, active NFP housing providers).

As discussed above, the sale of affordable housing is handled through a government-run 'property locator' portal; an online property sales directory. Potential buyers' eligibility, based on income and assets, is also assessed through the portal. The role of the portal was questioned by property developers, given that the dwellings would sell for the same price if sold on the open market. They also suggested that sales through the Property Locator had so far been weak, with homes often not selling within the 90 day period. While they had been able to sell properties for the same price on the open market once the 90 day period for eligible buyers had passed, the requirement to post for 90 days on the Property Locator had generated additional holding costs for them, reducing profit margins. There was also a feeling that 'locking out' other potential purchasers of housing in this price bracket would have adverse impacts on the overall market. Specifically, it would be difficult for dwellings in this range to be rented through the open market and ineligible owner-occupants would need to spend a greater proportion of income as they compete for higher valued property.

The interviewed private developers also believed that the reporting requirements for the affordable housing component of projects were currently too onerous, consuming an unreasonable amount of their time. This, combined with the time taken to negotiate the provision of affordable housing at the planning stage, had apparently created significant additional costs for them. The use of a single price point for Adelaide, rather than a variable one that reflected differentials in land values, was also criticised. It was suggested that different price points could and should be used for greenfield and inner-urban locations. While there was apparently some debate within Housing SA around this prospect, it was rejected by the interviewees who believed that such a system would be too complex, would be problematic close to the set boundaries between different zones, and would mean that lower income groups could not afford to live in the inner suburbs.

5.7 Summary

South Australia's policy and legislative framework today provide a strong basis for the implementation of the 15 per cent affordable housing target first set out in the 2005

Housing Plan for South Australia. The redevelopment of sites that involve rezoning, are government-owned, or of state significance, must include at least 10 per cent of all dwellings for sale below a pre-determined price point and 5 per cent for high-needs groups. To date, the 15 per cent target has mostly been applied to greenfield sites and government owned land. Indeed it proved challenging to find urban renewal projects that were located on privately-owned land. This highlights a problem facing the SA Government: planning policy for Adelaide currently promotes a move towards more compact urban forms, but it is often not economically viable for private developers to incorporate 15 per cent affordable housing on renewal sites without some form of government subsidy, particularly with respect to the 5 per cent high-needs housing. Furthermore, there appears to be some nervousness in the development industry about medium density residential development outside the CBD and beachside suburbs, as the market for this product has historically been so weak.

In order to address these difficulties, Housing SA plans to lead the market in urban renewal, as it also did initially with the implementation of the 15 per cent policy on greenfield sites on the fringe. Housing SA has identified a number of the sites they own for redevelopment and will be seeking expressions of interest from private homebuilders for a role in their renewal. These will be partnerships where Housing SA provides the land and sometimes a small amount of capital, with private developers making up the balance. The aim will be to demonstrate best practice in urban renewal and to generate an appetite for medium density product among both developers and residents.

In late 2011, it was announced by the SA Premier that a new Urban Renewal Authority would be established in 2012 that would bring together the functions of the LMC and certain sections of Defence SA and Housing SA. This new authority will be responsible for identifying sites for urban renewal and for co-ordinating and delivering land and housing development. Even before this announcement, the LMC and Housing SA had been working together closely on several urban renewal projects, including at Bowden. Based on Ministerial statements and media releases from late 2011 and early 2012, it seems that the establishment of this new Urban Renewal Authority reflects a consolidation of current practice more than a change in direction.

Evidence gathered from interviews suggests that the delivery of the 15 per cent affordable housing component will be extremely challenging on urban renewal sites without some form of government subsidy, and yet the subsidies that have been used by developers so far (mainly HAF, NBESP & NRAS) are not ongoing. Housing SA employees are aware of the challenges that the implementation of the 15 per cent policy presents on urban renewal sites in Adelaide, but they are also confident that they can be overcome. The establishment of an Urban Renewal Authority and the use of well-located government-owned land for joint-venture renewal projects can help address some of these challenges by streamlining processes, removing the need for developers to acquire land, and demonstrating to the development industry that urban renewal projects that include affordable housing can still return a profit. That said, the success of these joint ventures and the longer term prospects for privately-led urban renewal in Adelaide are likely also to depend on the market response to new medium density housing product, and on the savings that developers can or cannot make to offset the cost of the affordable housing component of their projects.

The SA Government has proved since 2005 that a 15 per cent affordable housing requirement can work on greenfield projects at the urban fringe, especially where land is government owned. While it is too early to tell whether this success can be repeated for urban renewal sites, it seems that continued government subsidy will be necessary at least for the foreseeable future, that a shift in public and development

industry attitudes towards medium density development will be needed sooner rather than later, and that the ability of the new Urban Renewal Authority to facilitate redevelopment and increase certainty for developers will be of fundamental importance.

Table 15: A summary of the approach to planning for affordable housing in SA

Variable	Detail
Legislation	Explicit references to affordable housing within the Development Act 1993 through the Statutes Amendment (Affordable Housing) Act 2007
Planning provisions	<p>Affordable housing policies adopted in the Planning Strategy that reinforce the Housing Plan for SA (SA Government 2005) position that 15% of new dwellings in 'significant developments' should be affordable, including 5% for high-needs groups.</p> <p>Standard Affordable Housing overlay prepared by Dept. of Planning, Transport and Infrastructure which applies when new planning schemes are prepared and when land is rezoned for residential uses or higher-density development.</p> <p>Housing SA is a statutory referral authority for all projects of 20 dwellings or more that include affordable housing.</p>
Geographical Coverage	'Significant' developments are defined as areas of major residential rezoning, areas subject to structure or precinct planning, state-significant projects and any development on government-owned land.
Affordable housing definition used	Mostly market housing delivered below a pre-determined and annually adjusted price threshold – target groups are low-moderate income groups earning up to 120% of median income. The 5% 'high-needs' housing is mostly public housing and other types of social housing
Supporting tools	<p>Affordable Housing Design guidelines</p> <p>Local Government Resource Kit</p> <p>Property Locator</p> <p>Template legal agreements to secure affordable housing outcomes</p>

6 PLANNING FOR AFFORDABLE HOUSING IN NEW SOUTH WALES

Affordable housing policy in NSW has a mixed history and has suffered from a lack of concerted, coordinated government efforts. The introduction of many innovative planning mechanisms, most notably the Affordable Rental Housing SEPP (A-SEPP) in 2009, have often not been supported with the necessary resourcing to ensure they are understood, accepted and taken up by communities, builders and housing managers. In this chapter, a series of case studies are used to review and assess various approaches to delivering affordable housing through the planning process in NSW, with a particular focus on the A-SEPP. The findings presented are based on a review of literature and policy on planning for affordable housing in NSW, quantitative analysis of planning approvals under the A-SEPP, and interviews with representatives of NSW Government housing and planning departments, local government and the NFP sector.³

6.1 Housing and planning policy framework

Following a change of government in March 2011, NSW Government priorities have been articulated through *NSW 2021* (NSW Government 2011a). This policy framework sets targets and actions across a range of government portfolios. In effect, *NSW 2021* replaced the previous government's *State Plan* (NSW Government 2006). In both cases, there is no specific consideration of affordable housing. *NSW 2021* does identify rising costs of living as a priority issue (Goal 5), and identifies housing affordability as a factor. The identified action, with the Finance Minister responsible for oversight, is to continue to set targets for dwelling completions and increase the efficiency of land release (NSW Government 2011a:13). In short, the solution to housing unaffordability is thought to be to increase overall housing supply. Homelessness, and improved services and housing for high-need groups are also identified (Goal 13), but the focus is on more targeted services rather than an increase in social housing supply (NSW Government 2011a:28). Despite the change of government, *NSW 2021* is broadly consistent with the *2006 State Plan*, which similarly focused on land release and housing supply, delivered, at that time, through the *Sydney Metropolitan Strategy* (NSW Government 2006a:126).

Housing supply targets in Sydney are currently set through the *Sydney Metropolitan Plan* (NSW Government 2010). The *Metropolitan Plan* does identify a need for targeted affordable housing, despite expecting increases in overall supply to improve affordability. Regarding affordable housing specifically, it outlines the following actions (NSW Government 2010:119-121):

- Zoning and density controls to promote new dwelling growth in areas that can improve housing diversity (e.g. around public transport) and deliver housing types that are affordable, such as attached dwellings, multi-dwelling housing and residential flat buildings.
- Set targets for affordable housing numbers in NSW Government-led urban renewal sites.
- Enable affordable rental options in more zones and at higher densities, such as boarding houses, secondary dwellings (granny flats), seniors housing, and housing managed by NFP housing providers.

³ While every effort was made to invite private developers to participate in the research, none that we contacted were willing to be formally interviewed.

- Explore incentives through local planning controls to encourage the development of more affordable housing options.

The *Metropolitan plan* also outlines the legislated definition of affordable housing, which is housing that can be rented by households earning up to 120 per cent of median incomes for less than 30 per cent of their income. Notably this Plan's predecessor, the *2005 Metropolitan strategy*, also identifies a need for affordable housing. But it goes further, proposing an 'Affordable Housing Strategy', incorporating affordable housing into standard local environmental plans and exploring potential inclusionary zoning, in addition to incentives and negotiated outcomes (NSW Government 2005:146-149). Locality-specific actions for local government to achieve in the *Metropolitan plan*, and the *Metropolitan strategy* before it, are outlined in various subregional strategies. Notably, the delivery of affordable housing is not devolved to local government, instead being led by NSW Government departments and agencies at a wider metropolitan scale.

The 'Affordable Housing Strategy' anticipated by the *2005 Metropolitan strategy*, has emerged in parts rather than as a comprehensive strategy, initially with a *2006 New directions in social housing for older people* (NSW Government 2006b), and subsequently through specific programs delivered by Housing NSW. To date, no overarching housing, or affordable housing, strategy is in place. Also, since the change in government in 2011, housing policy has been split into assets and services under different departments and ministers.

Many of the various projects initiated by Housing NSW to facilitate an increased supply of social and affordable housing involve the renewal of its own assets or the disbursement of Australian Government funds (NSW Department of Family & Community Services 2011, pp.110–129). Some key programs to increase the supply of affordable housing include:

- Disbursing NBESP, HAF and other Commonwealth grants and funding.
- Disbursing and contributing to joint Commonwealth/state housing funding, including NRAS (7080 budgeted, 977 delivered) and Social Housing Growth Fund (537 delivered).
- Transfer of ownership to the NFP housing sector, and other capacity building support programs.
- Renewal and de-concentration of social housing in key estate partnerships.

6.2 Planning controls and affordable housing

Although most strategic planning in NSW is delivered through local government, affordable housing is one policy area where the NSW Government has recently preferred to guide spatial planning through state-level environmental planning policies, called SEPPs. The main SEPP that delivers affordable housing, discussed in detail below, is the SEPP (affordable rental housing) 2009, or A-SEPP (NSW Government 2012). There are other state-level policies, which affect the delivery of affordable housing, described below, as well as some local government contributions that are described later in the chapter.

The SEPP (Urban Renewal) 2010, or U-SEPP (NSW Government 2011b), is a very recent policy that followed the introduction of the Metropolitan Plan in late 2010, and is yet to deliver anything on the ground. The U-SEPP is primarily a vehicle to improve collaboration and facilitate urban renewal in underperforming areas of the property market.

The U-SEPP is a similar approach to that taken in Queensland through the ULDA (Chapter 4) and the LMC and Housing SA in SA (Chapter 5), in that it establishes a concerted government role in coordinating complex urban renewal projects on declared sites. Unlike other interventions, however, where a government agency takes over a renewal site through to completion, the U-SEPP only establishes a process for declared urban renewal sites to be managed by NSW Government agencies during early, plan-making stages of development.

Affordable housing is not written into the U-SEPP explicitly, but compliance with the *Metropolitan plan* is, and that plan states that affordable housing must be considered, and targets set, in any declared sites. Affordable housing will be leveraged through both planning mechanisms and redevelopment/disposal of surplus government land. Specific affordable housing outcomes will therefore depend on the specific circumstances, and targets will vary from site to site. No targets have been set for sites yet, and the exact means by which they will be leveraged is yet to be determined.⁴

Another key SEPP that affects affordable housing delivery is SEPP 70 – Affordable Housing (Revised Schemes) (NSW Government 2009). It legalises specific local affordable housing schemes that require contributions from developers (through inclusionary zoning). Local planning controls cannot statutorily implement these schemes without this SEPP, and it exists only to ensure they have effect. The NSW Government has not supported its use for new programs, in line with its preference for affordable housing to be delivered through the A-SEPP.

6.3 Local planning initiatives for affordable housing

Following 2009 amendments to the Local Government Act 1993, each local government is required to prepare a 'community strategic plan'. This is a medium–long-term plan for the council's activities, and in many instances identifies affordable housing as a priority. To better deliver affordable housing where it has been identified as a priority, local governments are also encouraged to prepare affordable housing strategies. Housing NSW, the state social housing provider, has supported councils preparing such strategies for some time, most recently through The Centre for Affordable Housing website and local government affordable housing toolkit (Housing NSW 2006). A number of councils have affordable housing strategies in place, which include targets as well as mechanisms to achieve those targets. Two examples are:

- Originally adopted in 2008, *Sustainable Sydney 2030* was updated in 2011 to serve as the City of Sydney's Community Strategic Plan. It outlines a target for 7.5 per cent of dwellings to be affordable housing by 2030, and an additional 7.5 per cent of dwellings to be social housing (City of Sydney 2011:22). These targets are further divided, and mechanisms to achieve them outlined, in the council's *Affordable Rental Housing Strategy* (City of Sydney 2009). This strategy outlines that, based on expected dwelling growth, nearly 8000 affordable rental houses are needed to reach the target, and commits the council to facilitating nearly 3000 of these (City of Sydney 2009:14).
- Parramatta City Council adopted *Parramatta Twenty25* in 2006, which serves as the council's Community Strategic Plan. It includes a strategy to "develop affordable housing and accommodation to meet the needs of Parramatta's residents" (Parramatta City Council 2006:16). To this end, the council adopted an *Affordable Housing Policy* in 2009 that identified the need for around 1400 new

⁴ A built environment plan for the Redfern-Waterloo area, prepared by a previous state government development corporation, does set overall, social and affordable housing targets in one declared area (Redfern Waterloo Authority, 2011)

affordable homes, in order to maintain the proportion of affordable homes at prevailing levels (8% of all dwellings). The Council committed to facilitating 160 of these homes (Parramatta City Council 2009: 21-22).

Local environmental plans, the primary local government spatial planning policy, have historically been used to establish affordable housing programs by local governments. Under recent reforms, which standardise the format of local environmental plans, there are no standard provisions for affordable housing programs in the template, and a limited number of bespoke local provisions have been supported by the NSW Government. Those that have been supported typically maintain existing programs (although the government has not supported the continuation of all existing programs) or enable incentives to encourage affordable housing developments.

Some local governments in NSW have pursued their own affordable housing planning mechanisms. Historically this was because of the absence of NSW Government policy and, since the introduction of the A-SEPP, is because a local strategy is thought to better suit local housing market and built form conditions. This is particularly true of inner city areas, where the provisions of the A-SEPP have limited applicability. Some specific case studies of local programs are outlined in greater detail in Gurran et al. (2008). In sum, they fall into four groups:

Inclusionary zoning

Although a number of proposed local inclusionary zoning mechanisms have not been supported by the NSW Government, some existing programs continue to operate. These include two in the City of Sydney introduced alongside significant rezoning of urban renewal areas in former industrial precincts—Green Square and Ultimo-Pyrmont. A third, run by Willoughby Council, has been applied to specific sites that were subject to a ‘spot’, or site specific, rezoning to enable the residential development.

Partnerships and use of existing contributions / other external funding

Under the former SEPP 10, which mitigated the impacts of lost affordable housing, a contribution was payable when existing affordable housing was lost through redevelopment. Through this, some funds were available for local programs for developing new affordable housing. Randwick Council, which has a long history of promoting affordable housing, had one such program in place. Although it sits outside their planning consent role, some councils have other sources of funds, including surplus land assets, which can be leveraged to generate new affordable housing. The City of Sydney has requested expressions of interest for proposals from developers to purchase and develop seven surplus sites to date, with the explicit intent of increasing the supply of affordable housing. One site has progressed to negotiations with a NFP housing provider for redevelopment, and a second has been endorsed for sale and negotiations will commence once current council uses of it have been accommodated elsewhere.

Bonuses / differential density controls

The City of Sydney has also used a differential density control, effectively a density bonus, for a site, in the neighbourhood of Glebe, where an affordable housing development has been proposed. City of Sydney staff stated in an interview that the council does not typically support density bonuses, as it can lead to inappropriate development or, unless the bonus is developed in concert with other planning controls (such as height, setback & open space controls), not actually be achieved. In the Glebe example, the density controls were developed at the same time as other, stringent building envelope controls. Structuring the density uplift as a conditional

bonus was primarily to ensure the proposed affordable housing was realised through the redevelopment, and the uplift was not simply a windfall for the land owner. In this way, it was similar to a negotiated contribution, as outlined below.

Negotiated outcome and planning agreements

Given the uncertainty of voluntary incentives, and the limited NSW Government support for other local planning interventions, negotiating contributions through planning agreements is a common means of generating affordable housing through the planning system. Waverley, Canada Bay, Randwick and the City of Sydney councils have all secured affordable housing contributions through planning agreements, and the first three have policies in place for negotiating contributions. One recent example from the City of Sydney, in Glebe, is described as a case study below. Whilst an agreement can be secured as part of a development application, it was considered by City of Sydney interviewees to be more effective at a rezoning stage. Under current legislation a development application must be considered and, if deemed permissible, granted consent whether a planning agreement is in place or not. However, a council is not required to progress proposed amendments to planning controls, so negotiated planning agreements for significant contributions are more common as part of this process. Rezoning is also the stage at which the planning system can significantly affect land value, and so is often a preferable stage for local governments to obtain comprehensive contributions.

6.4 Development and introduction of the A-SEPP

The development of the A-SEPP took place in 2008-2009. It was developed in response to a recognised need for the NSW Government to increase the supply of affordable housing. Up to that point the primary planning intervention from the NSW Government was a mechanism to discourage and mitigate the loss of existing affordable rental housing – typically boarding houses and older residential flat buildings in single ownership (known as SEPP 10). A team was formed, comprising staff from both Housing and Planning Departments to prepare the policy and undertake informal consultation with industry and community stakeholders.

Interviewees described how initial policy development included an expansion of provisions in the existing SEPP 70 for inclusionary zoning mechanisms. Following the global financial crisis, however, the government sought to reduce any financial imposition on the development sector (this included other, separate, policy changes like the capping of developer contributions for new homes). The potential for a mandated contribution to affordable housing was strongly opposed by the development sector, and seen as antithetical to other government efforts. So the government instead opted for a mixed basket of incentives and streamlining measures to encourage an increase in supply, rather than require it.

The A-SEPP came into effect in July 2009. It has four parts: the first is introductory; the second, split into a further 7 divisions, outlines the measures to encourage new affordable housing; the third replaced SEPP 10 and outlines measures to protect existing affordable housing; and the fourth contains miscellaneous provisions. The seven divisions of Part 2, as first enacted, are as follows:

- Infill housing is made permissible in all residential zones, irrespective of local land use controls, provided that a proportion is rented out at affordable rates through a registered NFP housing provider for ten years and provided it is close to public transport (both requirements are fully spelled out). Infill housing includes townhouses, villas and low rise flat buildings. A number of development standards (density, lot size, car parking, open space etc.) are also set (typically at less

onerous rates than otherwise permitted) that, if met, cannot be grounds for refusing a proposal. The controls are similar to those used in seniors housing SEPPs for many years. Where such development types are already permissible, a density bonus is provided as incentive for schemes to incorporate some affordable housing.

- Secondary dwellings (or granny flats) are also made permissible in residential zones. Further, a series of numerical standards are defined that, if met, mean the proposal does not require development consent from the local council. The standards are based on existing housing codes that similarly enable a freestanding dwelling to be privately certified in lieu of local planning approval.
- Boarding houses are made permissible, when close to public transport, in a number of residential and mixed-use zones. Development standards and a density bonus, similar to the infill housing provisions, are provided as incentive.
- Supportive accommodation is defined, and made permissible wherever flat buildings are permissible. It is a form of social housing, based on the Common Ground model from New York, where support services (counselling, medical centres etc.) are provided on site. Existing residential flat buildings and boarding houses can be converted to this land use without consent.
- Residential flat buildings can be made permissible in non-residential zones, provided that it is (at least jointly) developed by a NFP housing provider, is close to public transport and a 'site compatibility certificate' is obtained from the Department of Planning. The process for obtaining site compatibility certificates is the same as has been used in other SEPPs, notably for certain development on government land through the Infrastructure SEPP. It is essentially a merit assessment and offers an alternative path to a site-specific rezoning.
- Social housing developments that are below two storeys and 20 dwellings are made permissible without consent. In effect, Housing NSW must self-approve any proposals instead of obtaining consent from the local government.
- Group homes are, much like the secondary dwellings, made permissible in residential zones, and a series of codes are outlined to enable development to be privately certified instead of being approved by the local government. Group homes are a form of shared accommodation, typically in a regular dwelling, often tenanted by vulnerable people with visiting support services.

6.4.1 Response and amendments to the A-SEPP

There was some initial criticism of a lack of consultation and a lack of warning for local governments having to implement and assess against the new controls set out in the A-SEPP. In reality, the development sector has been equally slow to comprehend and take up the provisions, and initial response was slow.

The main activity in the first year was the roll out of NBESP funding by Housing NSW. This funding needed to be spent quickly, so small infill developments on existing Housing NSW land were ideal. The self-approval provisions in the A-SEPP enabled Housing NSW to deliver around 300 projects (of some 3000 dwellings) in the first year of the NBESP funding. This self-approval process is further examined in a case study below. Other forms of specialist housing fulfil a niche role in the housing market and so have had limited take up. Interviewees indicated the group home provisions have been welcomed by providers of this form of housing, but no supportive accommodation developments have used the A-SEPP provisions.

In terms of the private sector response, the more simple development options have received the greatest take up to date. As such, the Department of Planning and

Infrastructure indicated that secondary dwelling provisions have attracted the greatest interest, with 2010–11 financial-year data provided from the department showing approvals nearing 400 for such dwellings (as outlined further below). Similarly, small scale boarding houses and infill affordable housing developments are beginning to come on line. This is also examined in a case study below. Higher-density and larger-scale projects have not been taken up in any meaningful way.

Less than two years after the A-SEPP was first introduced, there was a change of government in NSW. The new government had a number of policy differences to the previous one, particularly in response to urban consolidation, changing neighbourhood character, and a desire for more community say over local developments. This led to changes to state-significant development (called 'Part 3A') procedures, as well as significant changes to the A-SEPP in May 2011, detailed below.

The Housing NSW developments and the emerging private-sector led infill developments generated a lot of community opposition. Interviewees stated that this was a mix of opposition to the built form and opposition to the potential tenants. Regarding built form, cases were cited of large luxury apartments with water views being built alongside (or on top of) small apartments with poor amenity, where the latter were used to meet the affordable housing requirement. This was seen as having a significant impact on local character—where the built form was otherwise restricted to single dwellings—with little genuine contribution to affordable housing. Regarding the potential tenants, there was a perception that housing would be a stereotype of public housing: noise, loss of privacy, crime and safety were often mentioned in objections to developments. Given that a similar built form can and has been introduced into similar neighbourhoods through seniors housing SEPPs, it can be assumed that some objections to the built form conceal a wider opposition to the perceived social impacts of an affordable housing proposal.

A number of amendments were made by the incoming government in response to this opposition. Affordable housing contributions had to be commensurate with the density increase (i.e. a proportion of floor space, rather than a proportion of dwellings) and a merit assessment of compatibility with 'local character' was introduced. One of the most significant changes, though, was removing the permissibility of low-rise, medium-density development (villas, townhouses & two-storey flat buildings) in areas where only single dwellings are usually permitted. Interviewees indicated this was the primary incentive to such developments, and that density bonuses alone were often insufficient. As a result of the amendments, many of the emerging private sector-led developments, which were yet to be approved by local councils, have been refused consent. One such case study is outlined below.

In addition, some criticism of the A-SEPP came from the other end of the spectrum, in that the A-SEPP provided too few genuine opportunities for affordable housing, particularly in high density, inner city areas and in complex redevelopments. Its introduction was also seen to reduce the potential for local councils to develop and implement alternative mechanisms, thought to better respond to local built forms and housing markets. The NSW Government felt that as more complex schemes began to progress, the need for local approaches would diminish. However, barriers to inner city affordable housing development, such as project complexity and higher land value, will continue to impede take up of the A-SEPP's incentives. Also, density bonuses alone are usually insufficient to favour affordable housing developments over other possible developments.

As such, it is possible that the A-SEPP will continue to attract little interest from the necessary stakeholders in complex and inner-city developments. NFP groups typically

have insufficient experience in complex joint ventures, and the developers who have developed affordable housing schemes to date are less likely to undertake larger scale infill development. Significant capacity gaps in the NFP and development sectors will need to be filled if complex, inner city infill projects are to proceed.

6.5 Case studies

6.5.1 Case Study 1: Housing NSW A-SEPP developments, Telopea and Yennora

Housing NSW, in many cases with the help of funding through the NBESP, has utilised the provisions of the A-SEPP in significant volume. As of January 2012, 365 schemes were listed as self-assessed and approved on the section of the Housing NSW website used to publicly exhibit projects (Housing NSW 2012a). This includes Housing NSW schemes approved under both the A-SEPP or provisions of the special Nation Building and Jobs Plan (State Infrastructure Delivery) Act 2009. The latter, an alternative approval process administered by a separate body, the NSW Nation Building Taskforce, was used for “a merit-based assessment and determination of NBESP projects that cannot be assessed under [the A-SEPP]” (Housing NSW 2012a). That is, it was used for schemes that were too large, too tall or too far from transport for the A-SEPP provisions to apply. Some projects may also have pre-dated the A-SEPP.

These schemes are categorised using the inner/middle/outer Sydney split used by Housing NSW (e.g. in sales reports).⁵ Table 16 shows that, of the 365 schemes, around half the projects (178) were outside Sydney, just under one third (105) in Sydney’s outer ring, one fifth (78) in the middle ring, and only three projects in the inner ring of Sydney suburbs.

Table 16: Housing NSW projects ‘self-assessed’, including under the A-SEPP

Location	Number of projects
Outside Sydney	178
Outer Sydney	105
Middle Sydney	78
Inner Sydney	3
Total	365

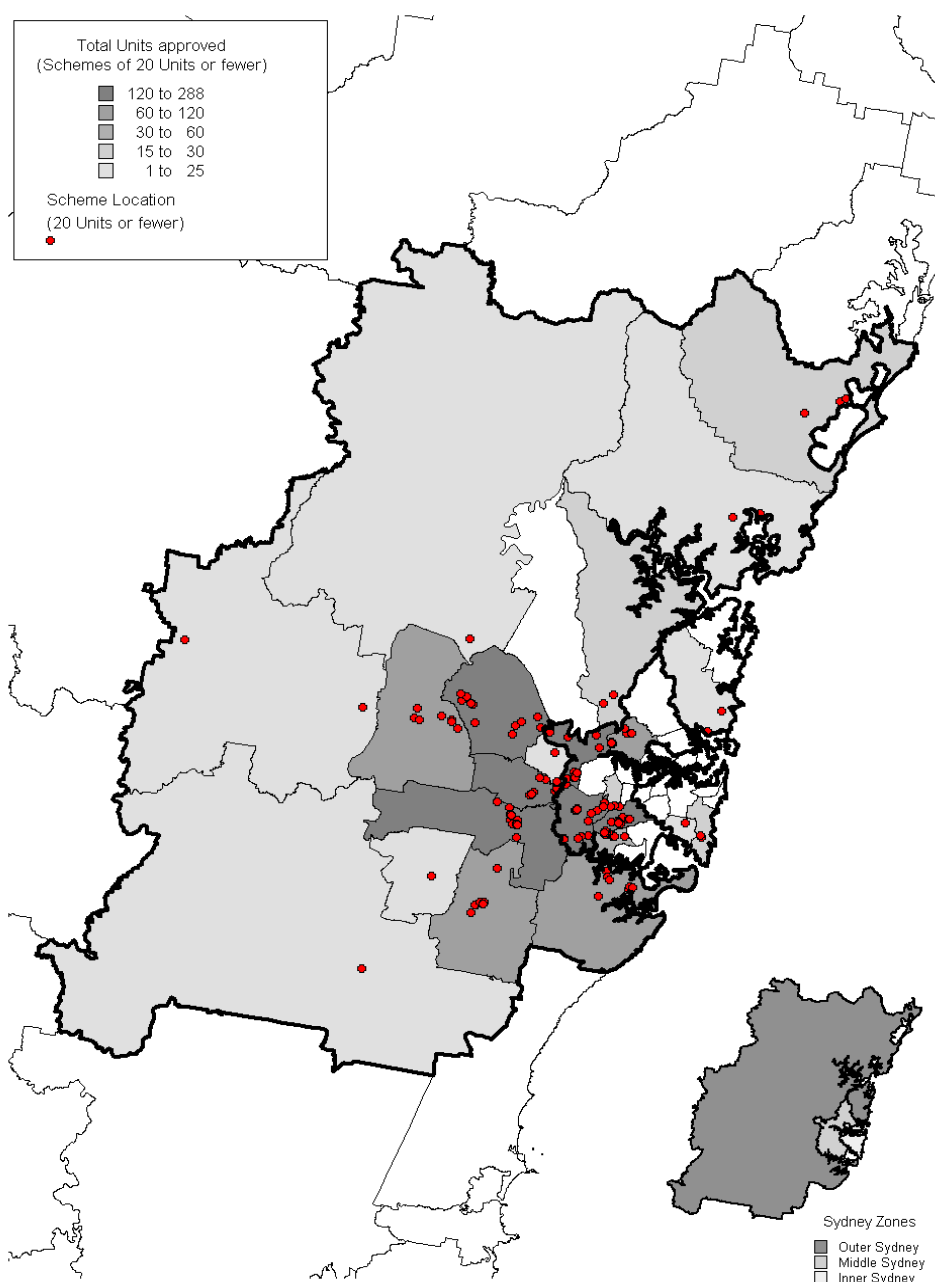
Source: Housing NSW (2012a)

Of the 365 schemes listed as approved, the 186 that fell within Greater Sydney suburbs were further examined. The number of units approved in each scheme was extracted from the exhibited documentation. This enabled 32 schemes that yielded more than 20 units each to be excluded from results (as these could not be self-approved under the A-SEPP). It is possible that some schemes not excluded could have been approved under the *Nation Building and Jobs Plan (State Infrastructure Delivery) Act 2009* but, in terms of scale of the development, were small enough to be assessed under the A-SEPP.

⁵ The full list of schemes shown to be approved on the notification website (Housing NSW, 2012a) was compiled and organised by suburb. Each suburb was allocated to a local government area (LGA) based on the LGA that the geographic mean of the suburb was in (so not necessarily, in instances where suburbs straddle multiple LGAs, the actual LGA the site was in). Each LGA is categorised to either inner/middle/outer/outside Sydney.

The distribution of approved units (in the remaining sample of 154 schemes) was then sorted by LGA, as shown in Figure 8 and Table 17. Of the 43 LGAs included in Housing NSW categories of Greater Sydney, around half (24) had schemes that had been self-assessed under provisions from, or similar to, those in the A-SEPP. The data also showed that 1705 units had been approved in this way in Greater Sydney. The distribution of schemes strongly favours the middle ring, and adjacent suburbs in the outer ring, with six LGAs hosting over half the dwellings. This reflects the nature of the projects Housing NSW was able to approve under the A-SEPP provisions, as well as the distribution of Housing NSW assets.

Figure 8: Distribution of 'self-approved' dwellings across Greater Sydney (in schemes of 20 dwellings or fewer)



Source: data from Housing NSW (2012a)

Table 17: Dwellings in Housing NSW ‘self-assessed’ projects across Greater Sydney (in schemes of 20 dwellings or fewer)

Area	Councils with schemes	No. of dwellings
Inner Ring (11 council areas)	Botany Bay, Randwick	35
Middle Ring (15 council areas)	Bankstown, Canterbury, Hurstville, Parramatta, Rockdale, Ryde, Strathfield	790
Outer Ring (17 council areas)	Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Gosford, Hawkesbury, Holroyd, Hornsby, Liverpool, Penrith, Sutherland Shire, Warringah, Wollondilly, Wyong	880
Total (43 council areas)	24 council areas	1705

Source: data from Housing NSW (2012a)

Two example schemes, in the middle and outer rings of Sydney, are described here to outline features of the process. One is in the middle-ring suburb of Telopea in the Parramatta Council area. The second is in the outer-ring suburb of Yennora in the Fairfield Council area. Two key concessions were available to Housing NSW through the A-SEPP. The first was a concession of permissible development standards, including housing typology, density, car parking and open space requirements. As noted above, this concession changed in May 2011. The second was (and remains) the potential to bypass local council approval, and to instead self-approve projects under Part 5 of the *Environmental Planning and Assessment Act 1979*.

Telopea

The Telopea project involved the demolition of nineteen studios (arranged in four, one-storey blocks) and one free standing dwelling over three lots, and the construction of 20 one- and two-bedroom units in four, two-storey blocks. Under the Parramatta planning controls in force at the time (NSW Government 2011c), residential flat buildings were not permissible, but other multi-unit housing was permissible on the site up to a density (floor space to site area ratio, or FSR) of 0.6:1 and a building height of two storeys.⁶ The proposal complied with both height and density controls. There were some design standards where the proposal complied with A-SEPP controls, but would not have complied with local controls, had they applied instead. Other non-compliances with local controls (that were not superseded by the A-SEPP) were mostly minor and could be considered acceptable (and so potentially approved) within the local planning system (Housing NSW 2010a: Appendix P).

Given the A-SEPP controls apply to the proposal irrespective of the consent authority, the proposal could potentially have been assessed and approved by Parramatta Council. There is supposedly some risk with this approach, however, regarding inconsistent merit assessments and weight given to minor non-compliances by different local councils, and regarding assessment and approval times. This is why the A-SEPP enables Housing NSW to self-assess such proposals. According to local development performance monitoring data collated by NSW Department of Planning

⁶ The difference being access to ground level private open space, so flat buildings can have balconies as open space instead, rather than a townhouse or villa arrangement.

and Infrastructure (2012a), in the 2010–11 reporting period Parramatta Council assessed one seniors living development, the category most similar to this project, in 329 days. For the purpose of a larger sample size, 26 multi-unit developments (which could also be similar, but potentially larger, than this proposal) can be included to give an overall mean gross assessment time of 207 days. The same numbers in the 2009–2010 reporting period were 94 and 149 days, respectively (NSW Department of Planning and Infrastructure 2010). Based on the difference between the date of issuing neighbour notifications⁷ (19 August 2010) (Housing NSW 2010: Appendix J), and the date of the self-approval by HNSW (7 December 2010) (Housing NSW 2010b), this scheme was self-approved in 111 days.

Worthy of note is the fact that the new development is neither a dramatic departure from the existing buildings on site, where there were already attached units, nor dissimilar to neighbouring sites, where there are attached dwellings up to three storeys high. As such, there was minimal resistance from the community in this case, with only one objection from a neighbour, and seemingly minor issues from the council.

Yennora

The Yennora scheme involved the demolition of three single dwellings over four lots, and the construction of 16 one and two-bedroom units in two, two-storey blocks at a density (FSR) of 0.46:1. Under the Fairfield Council planning controls that would otherwise apply to the site, only single detached dwellings are permissible, up to a density (FSR) of 0.45:1 and up to two storeys (plus an attic) (NSW Government 2011d; Fairfield City Council 2006). The proposal, therefore, was a departure from community expectations as to what could be built on the site, although there is a nearby precedent of attached one and two-storey attached villas further along the same street. Twenty-three objections from neighbours are documented (Housing NSW 2010c:126-149), although the council's submission did not raise any significant objections, and recommended some minor design amendments (Housing NSW 2010c: Appendix I). This suggests that, even in light of community opposition, council officers accepted the permissibility of the development under the A-SEPP.

In terms of timing, Fairfield Council assessed four seniors living developments in an average of 124 days, with the average approval time for both seniors living and multi-unit developments being 173 days (NSW Department of Planning and Infrastructure 2012a). In the 2009–10 reporting period, the comparable times were 41 and 233 days, respectively (Department of Planning and Infrastructure 2010). The period between the notification date (27 August 2010) (Housing NSW 2010c, Appendix I) and the approval date (29 November 2010) (Housing NSW 2012b) was 95 days for this project (Table 18).

⁷ This is typically the first step when a development application is received by a local council and a point when the proponent would have designs near to finalised, so is a comparable point in the overall design and planning process used by Housing NSW. It is not possible to compare the two processes exactly, as they are likely to differ in terms of the timing of design and technical studies.

Table 18: Summary of Housing NSW case studies and use of A-SEPP incentives

	Development standard concessions			Potentially quicker approval	
	Existing development	Development allowed under local controls	HNSW development	Approval time	Comparable council approval time ¹
Telopea	20 dwellings	Multi dwelling	20 dwellings	111 days	207 days
	Attached	Attached	Attached		
	1-storey	2-storey	2-storey		
Yennora	3 dwellings	4 dwellings	16 dwellings	95 days	173 days
	Detached	Detached	Attached		
	1-storey	2-storey	2-storey		

1. This is the average gross approval time for senior living and multi-dwelling developments in the 2010–11 reporting period (NSW Department of Planning and Infrastructure 2012a)

Source: the authors and NSW Department of Planning and Infrastructure (2012a)

6.5.2 Case Study 2: private-sector A-SEPP developments, Ermington

Examples of schemes under the A-SEPP being led by the private sector are far fewer in number than those led by Housing NSW. The Department of Planning and Infrastructure collect data from local councils and Housing NSW (for group homes) regarding projects approved under the A-SEPP, and figures for the 2010/11 financial year were provided for this study (summarised in Table 19). Note that when the figures were provided, 18 of the 152 councils had not yet provided data, including five in Sydney's middle and outer rings that would likely have had some approvals. Also note that these data exclude approvals from the first 12 months of the A-SEPP's operation, and any applications approved since July 2011. They also excluded any applications that were refused by councils, but subsequently successfully appealed (that is, approved to proceed) in the Land and Environment Court. It is noted that the following figures would likely be higher if more robust data were available.

Table 19 shows number of projects and number of dwellings approved (either through local councils, complying development certificates, or as exempt development) for schemes led by the private (including NFP) sector, using the same geographic split as Housing NSW schemes above.

Table 19: Projects (Pr) and dwellings (Dw) approved through provisions in the A-SEPP, 2010/11 financial year

	Low-rise infill		Res. flat building infill		Secondary dwelling		Boarding Houses		Group homes		Total (& ex 2 nd dwell)	
	Pr	Dw	Pr	Dw	Pr	Dw	Pr	Dw	Pr	Dw	Pr	Dw
Outside Sydney	2	14	2	19	80	80	11	15	14	44	109 (29)	172 (92)
Inner Ring	1	7	2	38	40	40	10	96	0	0	53 (13)	181 (141)
Middle Ring	4	11	4	49	77	77	2	26	4	20	91 (14)	183 (106)
Outer Ring	3	29	2	43	282	282	2	9	14	93	303 (21)	456 (174)

Total	10	61	10	149	479	479	25	146	32	157	556 (77)	992 (513)
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Source: Unpublished Department of Planning and Infrastructure data on affordable housing approvals Financial Year 2010/11

A majority of the projects (479 out of 556), and large proportion of the dwellings (479 out of 992) are secondary dwellings, which can come onto the rental market as 'Fonzie flats', but are often tenanted informally, part time or within the family (as teenage retreats or granny flats). Excluding secondary dwellings, the approved dwellings are spread fairly evenly among the different development types encouraged through the A-SEPP, with the only exception being the low number of 'low rise infill' dwellings.

In many cases secondary dwellings, boarding houses and group homes are still expected to be within building envelopes (set through height & setback controls) that other permissible developments would be expected to comply with. The 'incentives', in this respect, represent a removal of discriminatory zoning barriers, rather than enabling a new built form. Infill development incentives (along with more streamlined approval process for social housing projects) have, on the other hand, precipitated new built forms that would not otherwise be permitted under local planning controls. There are fewer private sector schemes that have been approved under these incentives.

One possible reason for the lower numbers is the time taken for the private sector to understand and develop the potential business case for pursuing such a development over other possible developments (or not to develop at all). Another possible reason is that such developments still cannot be achieved, as other local planning controls that still apply could be incompatible with the standards established in the A-SEPP. Also, given the changes made to the A-SEPP in May 2011, it is possible the private sector has remained wary of future amendments that could further affect project feasibility. Indeed, it proved difficult to find developers to participate in this study, both because there are few to choose from, and because of the sensitive (and in some cases ongoing) nature of the potential case study projects. Four developers known to be using provisions in the A-SEPP were contacted several times between July and November 2011, but either did not respond or were not able to participate.

One group that the incentives seek to target is NFP organisations (particularly NFP housing providers) that could build and then manage the affordable housing component. Such groups have generally not been in a position to utilise the infill provisions to date, as financial capacity and development expertise are still being developed. Many of the Housing NSW projects sought to overcome these barriers by transferring stock, which can be used as equity, and bringing in NFP partners during development to improve capacity in this area. Interviewees did state, however, that the NFP sector sees more risk in small to medium infill projects, than in larger projects through partnerships, either with Housing NSW or the for-profit sector. This may suggest that capacity is not the sole barrier to take up among this group.

One example project, in the middle-ring suburb of Ermington in the Parramatta Council area, is described here as a case study. Primary documentation about the project, consultation and assessment process gathered from the development application register (Parramatta City Council 2011a), as well as council meeting business papers (Parramatta City Council 2011b) and minutes (Parramatta City Council 2011c) are available on the Parramatta City Council website. The project proposed the demolition of two free-standing dwellings and the construction of ten units in a two-storey flat building. Half the units would be managed through a

registered NFP housing provider to eligible very low to moderate income tenants, while the remainder would be sold unrestricted.

The project met the requirements under the A-SEPP in force at the time of lodgement, but the proposed building type, a flat building, would not have been permissible on the site under the local planning controls, had the A-SEPP not overridden them. Under the Parramatta local planning controls, the site could only be developed for single dwellings or dual-occupancy dwellings. There are few precedents for higher density apartment blocks in the area, and the proposal was seen as beyond community expectations for development in the area. The Council received 23 objections from neighbours, citing the proposal's social impacts, and impacts on neighbouring amenity and local character.

Not long after lodgement, the amendments to the A-SEPP changed the permissibility of flat buildings to only those areas where they are permissible under the local planning controls. An ambiguous savings clause enabled the previous form of the A-SEPP to be considered when assessing existing applications, but did not insist upon it. As such, the proposal was no longer necessarily a permissible land use. The council staff assessment recommended the proposed development be approved, after consideration of the proposal under the previous version of the A-SEPP and the overall merit of the project. As there were 23 objections, however, the application was put before the councillors who ultimately refused the application. It was deemed out of character for the area and damaging to neighbouring amenity, it did not comply with local planning controls regarding density, boundary setbacks and zoning objectives, and it was not close enough to a well serviced public transport route (Parramatta City Council 2011c). The determination (8 December 2011) was made 232 days after the original submission (21 April 2011) (Parramatta City Council 2011b, pp.202–203).

It is worth noting that Parramatta Council approved just one scheme in the 2010/11 financial year, according to the data provided from the Department of Planning and Infrastructure. At one council meeting August 2011, though, seven projects were refused consent (Parramatta City Council 2011d).

6.5.3 Case Study 3: negotiated contributions, Harold Park redevelopment

In NSW, negotiated contributions remain the primary source of securing affordable housing in more complex development sites, typically negotiated with local councils as part of planning agreements. One such case study is in the inner-ring suburb of Glebe in the City of Sydney local government area.

Harold Park is an 11ha development site about 3km west of central Sydney. Until recently, it was used as a horse racing venue. In addition to the track, grandstand and stables the site also includes a large, historic tram shed, only used for storage since being decommissioned in the 1950s. The site has been privately owned for over 100 years, although the tram shed part was procured in the mid-1990s. In 2008 the site's owner, the NSW Harness Racing Club, approached the NSW Government to redevelop it as state significant development, but the City of Sydney successfully requested to remain planning authority for the site. As the site was zoned open space (albeit for private use) a rezoning was necessary to enable redevelopment. The Council commenced a process of investigating and developing new planning controls for the site.

Early on, 'planning principles' were adopted by the Council, including one concerning housing, which directed future designs and controls. Following early consultation, a number of additional desired community benefits were outlined, and so further directed future redevelopment. The upshot is that the package negotiated with the owner enabled around 1200 dwellings to be built as well as some commercial/retail

uses in the tram sheds, and required about a third of the site to be dedicated to Council for open space, a further amount of floor space to be dedicated in tram sheds for community uses, and—significantly for this research—a parcel of land of 1000sqm along with 5000sqm of the overall permissible floor space was to be used exclusively for affordable or seniors housing. This will yield around 50 units of affordable housing.

The volume of affordable housing negotiated, equal to 4 per cent of the overall housing stock to be built, was commensurate with the council's affordable housing strategy that proposed a 4 per cent levy on new development to contribute to new affordable housing. The 4 per cent dedication negotiated was not entirely comparable to that in the strategy, though, as the 4 per cent target in the Strategy was fully funded (either as finished units or on a financial contribution based on procuring finished units elsewhere). That 4 per cent was also justified because—when applied across all new development in the council area—it would deliver a targeted quantum of housing. In contrast, the 4 per cent on the Harold Park site would involve a captured part of newly-created land value (so not the cost imposition of the strategy's 4%). This 4 per cent was also considered in conjunction with other contributions sought from the developer through the uplift in land value.

The council's decision to require a dedication of land (and allocation of developable floor space) was based on discussions with various stakeholders, and to minimise the developer contribution required to deliver the quantum of housing. While the NFP sector preferred a fully-funded model, a shortage of developable land was identified as a greater impediment than potential to obtain funding and expertise to manage a development project. In other words, they could build the housing if they had the land more easily than they could obtain the land if given the money to build. While the owner preferred no contribution at all, it considered land dedication preferable to a finished product. A fully funded finished product, as noted, would have equated to a larger contribution, a part-funded product would have involved an ongoing, potentially complex, joint venture with partners from finance and NFP sectors, among others. The land owner also flagged the potential for a cash contribution, but Council determined that the cash contribution necessary to obtain land on a similar site would have been greater than the value of land contributed (in other words a bigger contribution).

Beyond the contribution (from developer to council), the intent is to put out an expression of interest from interested parties (most likely, but not limited to, NFP housing providers) to take control (even ownership) of the land, and to build and manage the affordable housing.

The process at Harold Park highlights the benefits of a negotiated outcome. A planning agreement has the benefit of being developed specifically for a site, so has the flexibility to ensure that any contribution is in line with potential increase in land value. A negotiated approach secures a defined, mandatory contribution, providing certainty for all stakeholders. On a site like Harold Park, a planning bonus, or similar, would not have provided certainty on built form or the delivery of affordable housing. This certainty is also lacking in other mechanisms like the A-SEPP. The negotiated approach also has the benefit of being able to secure any contribution from early in the planning process, so can be taken from potential increase in land value and minimise imposition on future land owners. However, because the City of Sydney does not have a specific policy for affordable housing in place, negotiating an appropriate outcome was extremely resource intensive.

Table 20: Summary of planning provisions in NSW case studies

Project / site name	Streamlined approval	Housing diversity required	Percentage affordable housing required	Voluntary density bonus for Affordable Housing provision	Government land / subsidy
Housing NSW A-SEPP	✓	✗	100%	✗	✓
Private sector A-SEPP	✗	✓	>20% (50%)	✓	✗*
Harold Park	✗	✓	4%	✗	✗

*aligns with NRAS, so likely but not necessary.

6.6 Perspectives on the A-SEPP

The A-SEPP has been criticised by local government from two ends: that it does not generate sufficient opportunities for affordable housing; and that it generates inappropriate opportunities for affordable housing. The former criticism stems largely from inner city councils, and was indeed the position of the City of Sydney staff interviewed: they highlighted the shortcomings of the provisions for inner city areas where regular development occurs at a density that is higher than the A-SEPP seeks to encourage. These inner city councils are often seeking to implement local mechanisms to increase the supply of affordable housing, yet the A-SEPP is a primary reason that the NSW Government is not supporting such local schemes.

The latter criticism stems largely from the middle ring councils where the typology and density the A-SEPP encourages provides a genuine incentive over other development types. Typically this incentive is the higher yields than could be achieved under local controls. Given this, however, proposals are by definition inconsistent with those local controls. Given that such inconsistency—in the form of a merit assessment against local character—is now grounds for refusal (written into the May 2011 amendments), it is unlikely that such unpopular developments will be approved through local councils. Projects frequently encounter opposition in the community (and therefore become sensitive at a political level), increasing risk and thereby deterring developers. Local councils also continue to oppose many affordable housing projects, which is limiting the appeal of the A-SEPP to other stakeholders.

The purpose of any incentive/differential planning control is to enable developers of the desired typology (i.e. infill affordable housing) to outbid other possible developers (i.e. lower-density development like a single dwelling or duplex development). It is evident that this is only the case in certain conditions, and even there a large part of the potential cost to a potential developer is holding cost and planning risk. This is enough to reduce land value to those developers below other possible, safer developments, like those undertaking code-based knockdown-rebuilds.

Some interviewees felt that the business model facilitated by the A-SEPP is sound, but that knowledge and capacity of the development sector to use the model is limited. Other than accepting that it will likely remain a niche development model, there was no clarity as to what type of developer it is expected to attract. It is possible that it will be more likely to attract NFP housing providers that are entering the development space (as opposed to just housing management), than it is to attract established for-profit developers tweaking their business model.

Profit and NFP developers alike, though, stated that planning efficiency is more likely to increase affordable housing outputs than density and planning incentives. An expedient planning process provides certainty, and the A-SEPP currently works against that, for the above-stated reasons. Were the A-SEPP to target an increased capacity of NFP housing providers in the development sector, though, it was argued other mechanisms would better do this. For example, the A-SEPP only identifies the management role of NFP providers for the 10 years infill development is restricted. NFP providers are not required to be brought in as development partners on these projects, nor do they currently have the expertise to initiate partnerships. Further, where NFP providers are looking to initiate a new affordable housing project, they generally seek larger development sites than those targeted by the A-SEPP. The incentive does not apply to these larger projects, discouraging developers from incorporating affordable housing and from seeking partnerships with NFP providers. However, Housing NSW has entered into such partnerships as a basis for demonstration projects and pilot redevelopment models.

An interviewee from the NFP sector discussed the different roles for government departments in providing greater assistance to affordable housing providers through the planning and development process. While Housing NSW can provide important support through funding, pilot projects and partnerships, the Department of Planning and Infrastructure has an important role in providing greater certainty for developers. This might include extending aspects of the A-SEPP available to Housing NSW but not currently to NFP providers, such as accelerated approval for small schemes. Other mechanisms, like mandated inclusionary zoning was also perceived as delivering greater certainty for NFP providers. When a defined amount of housing must be affordable, there is a greater need for private developers to instigate partnerships with NFP providers.

6.7 Summary

The A-SEPP is an innovative approach to improving the diversity of housing stock and supporting a move toward a mix of housing types that includes more affordable rental options. Its strategic benefit is that it enables delivery of such diversity in a common type of built environment, specifically in middle suburbs with low densities. This, however, is also a challenge.

The A-SEPP seeks to establish a number of niche forms of affordable housing (such as secondary dwellings, boarding houses, and small-scale, medium-density infill developments managed by NFP providers) as an integrated aspect of the built form across existing suburbs of Sydney. If the A-SEPP is retained as a planning policy in the long term, it is likely to provide an ongoing source of housing diversity, increase density across Sydney middle suburbs, standardize a more mixed and adaptable built form and establish a fine grain to the delivery of affordable housing, which aligns with the Housing NSW strategic aim of tenure and social mix.

The challenge to date has been to generate sufficient support among stakeholders to ensure it is retained over the long term. There are multiple reasons for this, stemming from a lack of strategic integration and implementation, as well as a perceived failure of the NSW Government to consult adequately with stakeholders, particularly local government authorities. The A-SEPP has been introduced without clearly articulated expectations or targets as to the volume, type, location and financial model of the affordable housing that will result from its introduction.

In terms of volume, the attitude upon the A-SEPP introduction was pragmatic, and any policy intervention was considered an improvement on the prevailing absence at the time. Similarly, the A-SEPP sought to encourage a raft of housing types, but there

was uncertainty as to the volumes of each that would be generated. The difficulty in predicting these volumes has been exacerbated by the incentive-based nature of the planning intervention. The incentives in the A-SEPP act like other mandated inclusionary zoning, in that a planning intervention that requires a public benefit is implemented in sync with a planning intervention that increases land value. In that sense, it is consistent with mandatory mechanisms that capture value from an uplift for public benefit.

The key difference is that, instead of identifying specific sites that would be appropriate for affordable housing and mandating it there, the A-SEPP makes, in effect, a blanket judgement that it would be appropriate in all suburban locations (in some cases, provided public transport is available). Such a blanket judgement then enables the most feasible sites to emerge on their own, based on factors like consolidated ownership, site shape and size, motivated land owners, and demand for such housing. Without undertaking the strategic work that would identify specific sites, however, it is difficult to predict the location of those 'most feasible' sites across the large area where it is permitted.

As such, the approach has two, related, shortcomings. The first is that, without knowing where those sites will be, it has proven difficult to communicate with other stakeholders that change is desired, expected, or even feasible in a given area. Despite transport access requirements being written into the A-SEPP, the affordable housing can potentially be delivered across the entirety of Sydney's middle-ring suburbs. Unlike local centres and transit hubs, this is not an area where greater densities and housing diversity has otherwise been identified as strategically desired (through the Metropolitan Plan, for example). As such, the A-SEPP represents a new policy direction for existing residential suburbs. This was not effectively communicated or introduced with a timeframe that enabled stakeholders to understand and engage in the policy direction. Advertising changes to a neighbourhood (through any form of redevelopment) is a difficult task and not one that a government is likely to take up over such a large area, particularly when it might not eventuate in most of that area. Without knowing where the housing is expected to be delivered, it is impossible to focus any communication strategy at a local level. Of course, in the case of Housing NSW redevelopments, location was known. However, the A-SEPP also coupled this changing policy towards future built form with a relatively new type of tenure and a new approval process. Neither of these was well understood, and so generated further opposition. Communicating that affordable housing is feasible in a particular location is discussed below.

The second shortcoming is that there is nothing to suggest the housing is most feasible where it is most needed. In particular, the incentives only made a sufficient difference to development potential in low density suburbs, not inner city areas where prevailing densities are higher and where housing is often the least affordable. While they still applied in these inner city areas, the A-SEPP provisions were too rigid to provide incentive in areas of higher land value, or where higher densities are already being delivered. Also, complex development sites, whether former industrial areas or underperforming local centres, are subject to changing built form anyway. The A-SEPP does not align with these changes, and delivering affordable housing in major renewal sites remains ad hoc and limited to specific sites. There would be a clear value in a widely applicable, planning intervention with flexibility to adapt to such complex sites, something that may be provided by the U-SEPP.

There also remains a lack of expectation, and so lack of certainty, in the financial model that the A-SEPP is expected to support. It aligns with NRAS subsidies, although it targets small-scale development where NRAS has sought to encourage

institutional investment in housing. By creating a windfall for landowners (through increased development yields and time-limited contributions of affordable housing), it also seeks to promote a role for the private sector in developing and owning the affordable housing stock. The NFP sector is also expected to take on an increased role in the management and development of new stock. However, these proponents are yet to emerge, the reasons for which are a lack of existing capacity, a lack of certainty in the A-SEPP's future and a lack of suitable consultation. Financing and resourcing capacity in the NFP (or other niche parts of the) development sector will continue to require input from Housing NSW, which to date includes stock transfer and partnerships. Certainty in the A-SEPP will continue to waiver while it is under review. So far it has been under review for about half the time it has been in operation: introduced in July 2009, and under review since December 2010. And consultation, which has been limited to date, will need to outline where such developments are most feasible and least risky.

The next steps for the A-SEPP are unclear. The current review has resulted in one round of amendments, but also presaged a new "Housing Choices SEPP". The timing, content and complementarities of this SEPP with the A-SEPP remain unclear, but interim steps like an Affordable Housing Forum held in November 2011, (NSW Department of Planning & Infrastructure 2012b) suggest a more flexible, locally-delivered approach is being considered.

Table 21: Summary of A-SEPP approach to affordable housing delivery

Variable	Detail
Legislation	<i>Environmental Planning and Assessment Act 1979</i> and <i>Environmental Planning and Assessment Regulation 2000</i> include affordable housing objectives and establish planning framework for statutory planning instruments
Planning provisions	Primary state-wide instrument is <i>State Environmental Planning Policy (Affordable Rental Housing) 2009</i> , or the A-SEPP, although other planning instruments have provisions relating to site specific affordable housing mechanisms
Geographical Coverage	State-wide, with most provisions applicable to residential zones near regional town centres or public transit
Affordable housing definition used	Rental housing that is either: <ul style="list-style-type: none"> → provided through a community housing provider at a rate that is less than 30% of the renting household's income, and the renting household income is less than 120% of the median for Greater Sydney → in an affordable dwelling type, like a boarding house room or a secondary dwelling → is eligible for a subsidy through NRAS.
Supporting tools	Directly supporting the A-SEPP: fact sheets and feasibility calculators Indirectly: Housing NSW support to increase CHP capacity

7 DISCUSSION

In this chapter, we reflect on the key themes emerging from the study's empirical research (Chapters 4–6), comparing and contrasting different approaches to planning for affordable housing in terms of drivers, design and implementation. As we stated in Chapter 1, the over-arching aim of this research was to examine emerging approaches to planning for affordable housing, the factors shaping their design and introduction, their effectiveness to date, level of integration with other available affordable housing policies, incentives and subsidies, and the potential for them to be made more effective.

The focus is on drawing out the similarities and differences between the approaches, and on the differential outcomes that they have delivered so far. Given that the development contexts, market conditions and policy settings in Brisbane, Adelaide and Sydney are markedly different to one another and that the initiatives are relatively new, the chapter does not attempt to assess achieved outcomes per se, but to draw out some conclusions as to the relative strengths and weaknesses of each approach as perceived by the various stakeholders.

The chapter is structured according to the key themes emerging from the study's empirical research, with reference to the international literature and policy review in Chapter 2. First, we consider the genesis of the different approaches discussed in Chapters 4–6, the governance arrangements in place for each, and the range of mechanisms that are used to implement them on the ground. The extent to which each approach is integrated with relevant policy frameworks and funding programs is then discussed. Finally, we review the outcomes for each approach to date and construct a series of hypothetical scenarios in order to assess their relative effectiveness across different contexts.

7.1 Approaches to planning for affordable housing in Queensland, South Australia and New South Wales: governance arrangements and incorporation into planning frameworks

As shown in Chapter 3, the use of planning mechanisms to secure affordable housing is increasingly widespread in Australia, and there has been significant movement in this area since the 2008 AHURI benchmark study on planning for affordable housing was published (Gurran et al. 2008). The three states that were focussed on in this study (Chapters 4–6) are currently leading the way, although their approaches differ considerably, as shown. Partly the differences between them are to do with pre-existing planning and housing policy contexts. As discussed, the states and territories all have different planning frameworks within which to slot the additional objective of delivering affordable housing. Of note, however, is the fact that in the three case study states, quite different approaches have also been taken towards integrating new approaches to planning for affordable housing with those existing housing and policy frameworks.

In all cases, the delivery of affordable housing has emerged through, and been incorporated into, broader strategic planning frameworks: metropolitan planning, state planning, and housing affordability strategies that apply in each jurisdiction. The ULDA in Qld, the 15 per cent policy in SA and the NSW A-SEPP each reflect, to a greater or lesser extent, the housing affordability directions and objectives set out in the Metropolitan Plans for Brisbane, Adelaide and Sydney. Each approach is seen to be a way of achieving those objectives, and the U-SEPP in NSW is also identified as a key

delivery mechanism in this respect. At an implementation level, though, there are some notable differences.

South Australia

The 15 per cent policy is embedded in the existing planning policy framework, as an additional requirement established at the strategic planning stage. Notably, the complexity of those sites where the policy applies has meant planning controls have often been amended by the SA Government rather than a local council, although this is an established, but sometimes contentious, process. In either case, the new controls, including the requirement for affordable housing, sit in the same local planning controls. Subsequent applications for development are then treated as any other development, assessed by local governments, with communities and other stakeholders given the same opportunities to respond (with an additional referral to Housing SA).

One of the benefits of this approach is that there is clarity in the delivery of the affordable housing, which is secured through a land title covenant at this early stage. Once it has been secured on the land title, the planning system is no longer relied upon and development proceeds in the usual way. The covenant on title in effect makes Housing SA an interested party in the land ownership, and empowers it to ensure the affordable housing is delivered. The effect is a minimal disruption to the planning process.

Queensland

By contrast, the delivery of affordable housing through planning has been facilitated by an entirely new planning process. Delivered through the ULDA, this process is an explicit attempt to increase certainty and efficiency, by streamlining planning approval on more complex sites that are, generally, larger than those in South Australia, with more owners and more additional infrastructure needed. Within UDAs, the ULDA's development schemes are the basis for statutory planning control and their Development Schemes provide for a greater degree of master planning than local planning controls, giving more certainty as to the eventual outcome and enabling more meaningful consultation to be undertaken than would usually be the case for strategic planning.

This process typically enables individual development proposals to be code-assessable when they comply with a development scheme, with no additional public notification and little stakeholder consultation (if any) needed. The result is a quite different development assessment process to local planning by Local Government Authorities. The benefit is, as noted, a more streamlined approach that provides certainty to developers in subsequent development stages; offsetting the complexity of infill development that has material holding and risk costs that act as a deterrent. Because of the size of the UDAs and their locations (mainly under-utilised industrial sites), there are generally few neighbours in the vicinity, making such an approach viable, with stakeholder consultation less of an issue.

New South Wales

The A-SEPP similarly seeks to provide some consistency in the permissibility of delivering affordable housing, to offset the costs, or reduced profitability, that can make it comparatively unviable. Similar to the ULDA process, it supersedes local planning controls. It does, however, use the established SEPP framework to do this. What it does not do is incorporate any alternative site-specific strategic planning. This is partly a pragmatic measure as it applies over a large area, and partly warranted because it applies to small sites and developments. The anticipated departure from

strategic plans developed through local councils is incremental and limited by site size, and therefore not considered to have significant impact on broader strategic planning, which in NSW has been delivered through other policy vehicles. It is also supported by other planning controls, for example the Residential Flat Design Code—a NSW Government planning control governing the design of flat buildings—rather than local controls that govern single dwellings. In addition, the A-SEPP now incorporates an assessment against local character. This lack of a strategic planning context for developments delivered under the A-SEPP and the subsequent lack of understanding by other stakeholders as to the expected outcomes of the A-SEPP have proven to be problematic.

In terms of the assessment of specific applications, two streams within the A-SEPP—for Housing NSW and non-governmental proposals, respectively—take two different approaches. Housing NSW was able to further bypass the usual processes by self-assessing and self-approving applications. Non-governmental proposals, however, were processed in a standard way through local government. This added to the lack of understanding among stakeholders and caused significant opposition within some impacted communities, which has effectively served as an additional disincentive for developers. Proposals were located in areas where standard local planning controls still otherwise applied, and usually next to other residential properties. From a resident perspective, it must have seemed curious that normal local planning provisions should not apply to affordable housing proposals, while local governments may well have resented the fact that proposals that were not permissible under their planning schemes could still be approved under the A-SEPP.

While a desire to streamline planning processes is closely linked to project viability and the overall supply of housing (in turn affecting levels of affordability), tying the delivery of affordable housing to variations in the planning process creates the potential for a greater lack of understanding among stakeholders and so potentially greater opposition in the community and reluctance among potential proponents. Where the delivery of affordable housing, in contrast, was distinct from any alternative planning processes and able to be incorporated into existing planning processes (whether through local councils or through special assessment paths for major developments) the delivery of affordable housing was less likely to be adversely affected by political vagaries that can affect those processes.

In a similar vein, where the affordable housing was clearly articulated and secured at early strategic stages in the planning process, it was less likely to be impacted by contested issues arising during subsequent stages. But while securing the affordable housing early provided certainty, it was thought to reduce the potential for flexibility at those subsequent stages that would enable the affordable housing to be delivered by the most efficient means. In fact, securing a commitment to deliver a quantum of affordable housing at the strategic phase could prove helpful for specific development applications by raising and solving potential issues earlier. It was essential, though, that some flexibility was retained.

7.2 Government land development agencies and urban renewal

A recurring theme in the three states studied was a move by governments towards the use of dedicated planning and land development authorities to facilitate, co-ordinate and deliver major and/or complex urban renewal projects. In Queensland, the main force driving urban renewal at the three case study projects was the ULDA, and the LMC in South Australia will from March 2012 become part of a new Urban Renewal Authority (Premier of SA 2011; 2012). In NSW, the U-SEPP will provide some

provisions for a similar project management role for the NSW Government, while it was recently announced that the NSW land agency Landcom and the Sydney Metropolitan Development Authority will soon merge to become a metropolitan urban development authority known as UrbanGrowth NSW. Changes also occurred in Victoria and Western Australia in 2011, meaning that there may soon be government planning and land development authorities operating on urban renewal sites across all of Australia's major cities. The Victorian land agency was recently re-branded 'Places Victoria' and its roles and responsibilities were re-directed towards major urban renewal projects (Premier of Victoria 2011), while a 'Metropolitan Redevelopment Authority' was created in Perth that brings together the responsibilities and projects of several place-based land redevelopment authorities that were very similar in structure to the ULDA and had been operating successfully for many years, the Subiaco and East Perth Redevelopment Authorities being the best known (Metropolitan Redevelopment Authority 2012).

While the involvement of government land development agencies in the urban development process is not new, we suggest that the recent shift in their roles and responsibilities towards urban renewal and away from greenfield development at the urban fringe is significant. Land development agencies have now been an important feature of state and territory governments in Australia for nearly forty years, having originally been established under the Whitlam Government's Land Commission Program in the mid-1970s. This Land Commission Program offered the loan of Commonwealth funds to the states in order for each to establish the Land Commissions—state-owned agencies whose role it would be to acquire land with development potential, mostly at the urban fringe, and to participate directly in the production of new urban property (Neutze 1978; Troy 1978). The acquisition and development of urban land by government land development agencies was termed 'positive planning' by commentators at the time, as it implied a positive role for governments in the production of new urban property, as opposed to the largely 'negative' role that they had traditionally played through statutory planning processes (Gleeson & Coiacetto 2007). Land Commissions (or variants of them) were established in SA, NSW, Victoria and Western Australia in the mid-1970s and have been in operation ever since.

The creation of the ULDA in 2007 (and other land development agencies in ACT & NT in 2003) and the re-direction of land development agencies in Victoria, SA, WA and NSW towards a focus on urban renewal, rather than greenfield development, is evidence both of a revival of interest in the concept of positive planning and a recognition within state governments that the complexity of many urban renewal projects and their strategic importance often necessitates some form of government-led project management responsibility. Significantly in the context of this research, Davison (2011) considers the advantages of positive planning by land development authorities on urban renewal sites, using the ULDA as a case study. He argues that the involvement of land authorities (as owners, developers and / or controllers of land) in urban renewal sites brings with it many potential benefits:

- Where urban renewal sites are in fragmented ownership, land authorities can take a lead by acquiring multiple sites and consolidating them, before releasing market-ready land parcels to the market.
- Land authorities can take responsibility for site remediation and infrastructure installation, increasing the attractiveness of contaminated or poorly-serviced sites to private developers.
- As owners or regulators of land on urban renewal sites, government land authorities have greater control over the final use of that land and can therefore

attach certain conditions to its development (e.g. affordable housing requirements). They may also be able to sell land at a negotiated sub-market rate to NFP housing providers.

- For large and/or complex urban renewal sites, government land authorities can manage the process of urban renewal, ensuring that processes of change proceed in a co-ordinated manner and in line with government policy directions. This is particularly important for large sites that will take many years to develop.
- As owners of land on renewal sites, government land authorities can capture some of the uplift in land value that accrues through the redevelopment process for community use.
- The involvement of land authorities (with their considerable development expertise) in urban renewal projects can reduce risk and increase certainty for private developers, particularly where the land agency has some statutory planning powers.
- Rather than simply consulting community members on proposed policy directions and regulatory controls (i.e. what might happen in an area), government land authorities, through positive planning, are able to take a longer-term view and discuss and debate with communities both strategic visions for the area at the project conceptualisation stage and a range of much firmer development alternatives later on.

The ownership and control of land by these land agencies provides some particular benefits in terms of affordable housing provision. Land agencies such as the ULDA can require affordable housing provision or housing diversity on their sites through planning processes, may choose to cross-subsidise affordable housing development, retain low-cost residential uses on renewal sites, or sell land at sub-market or negotiated rates or lease it to NFP housing providers or eligible households. Unfortunately, however, while there is this potential for them to engage in such activities, their ability to do so is currently constrained by the commercial imperatives and profit-making requirements that are currently imposed on them by state governments (Davison et al. 2010).

It certainly appears likely that government land development agencies will play an increasing role in urban renewal activity in Australian cities in forthcoming years. The ULDA model discussed in Chapter 4 demonstrates that a government planning and land development authority can greatly assist in planning for increased affordable housing provision by preparing sites for development and bringing them to market, shaping development outcomes (e.g. through inclusionary zoning or voluntary density bonuses) and by increasing certainty for developers. However, the ULDA is far more powerful than the land agencies in other states due to its planning approval powers and ability to retain its own dividends (other land agencies must deliver any dividends to state treasuries). Without its statutory planning powers and financial independence, the ULDA simply would not be able to ensure affordable housing outcomes on its sites in the same way that it currently does – this may limit the ability of land agencies in other states to contribute to an equivalent extent.

As shown in Chapter 5, the LMC in South Australia operates under a state-wide 15 per cent inclusionary zoning control for all state-owned land, which means that residential development on any of its sites must include at least 15 per cent affordable housing. However, it remains unclear exactly what powers the NSW Government will have through the U-SEPP and/or UrbanGrowth NSW. Other states and territories pondering the opportunities for government land development agencies to facilitate affordable housing provision should ensure that the necessary powers are available to

deliver that affordable housing, either through the land agency itself (as with the ULDA) or through complementary policies (such as the 15% policy in SA). Recent evidence suggests that where government land authorities have few powers and only aspirational targets for affordable housing provision, the contribution that they are able to make in this area is extremely limited (Davison et al. 2011). While government land development authorities have the potential to improve the quality of urban renewal outcomes in Australian cities and increase both efficiency and certainty for developers, this will only happen where they are equipped by state governments with the necessary powers (as the ULDA is) and where they are relieved of a requirement to maximise the return to state treasuries, something that was never envisaged under the Land Commission Program and which cuts across any social or environmental objectives that they have (Davison 2011).

7.3 Intervention taxonomy (incentives & requirements)

A variety of mechanisms have been implemented through the approaches to planning for affordable housing discussed in Chapters 4–6. Returning to the taxonomy originally proposed by Gurran et al. (2008) we can now compare the different approaches across the case study states (Table 22). There is some overlap in possible interventions, such as the extent to which the removal of car parking requirements is the reduction of a local barrier or a graduated planning standard to encourage affordable housing. As such, the table should be broadly interpreted, with the following paragraphs providing some context and explanation.

Table 22: Planning mechanisms for affordable housing

Mechanism	Qld	SA	NSW
Increase housing supply			
Land audit	-	-	-
Government dedication / acquisition of land	✓	✓	✓
Land development or renewal authority	✓	✓	✓
Land acquisition and assembly	✓	x	x
Reduce barriers to affordable housing development			
Audit existing controls; assess impact of proposed regulations	-	-	-
Development controls permit diverse housing in as many areas as possible	x	x	✓
Faster approvals for preferred development	✓	x	x
Overcome local barriers to affordable housing	✓	✓	✓
Preserving and offsetting the loss of low-cost housing			
Social impact framework	✓	x	x
Preserving particular house types at risk	x	x	✓
Assistance for displaced residents	x	x	✓
Encouraging new affordable housing			
Graduated planning standards	x	✓	✓

Planning bonuses / concessions	✓	✗	✓
Fast track approvals for affordable housing meeting defined criteria	✗	✗	✓
Fee discounts	✗	✗	✗
Securing new dedicated affordable housing			
Voluntary negotiated agreements	✗	✓	✓
Inclusionary zoning - mandatory contributions for all identified development in the zone	✓	✗	✗
Mixed tenure requirements – proportion of development in new release areas must be affordable	✓	✓	✗
Impact fees – mandatory contribution to offset impact of development on affordable housing needs	✗	✗	✗

Increasing the overall supply of housing, as well as housing within the identified affordable range, is a key objective of all urban renewal policies. In all cases, the introduction of the policies examined in this project followed an implicit audit of potential land to enable residential development, with potential renewal sites emerging out of metropolitan plans or notably from surplus, or under-utilised government assets. In each case, as described in Section 7.2, a government land authority is employed to facilitate complex developments. Also, all states seek to develop infrastructure as an incentive for redevelopment within identified locations, although to date the two are only explicitly tied together by the ULDA in Queensland.

Only the broad application of the A-SEPP in NSW provides for the ability to remove barriers to affordable housing development across large parts of the metropolitan area: through both land-use controls and density bonuses that are overlaid on any local controls that would otherwise restrict such development. Within UDAs in Queensland, the bypassing of the local planning system and subsequent streamlining of the approvals process is also seen as a removal of barriers to development within those sites, although it does not preference affordable housing developments. In South Australia, the government does provide advice to local councils regarding more flexible land uses and, for example, the potential for secondary dwellings.

Again, only the broadly applicable A-SEPP has specific measures to protect existing affordable forms of housing, which have been in place for over 10 years. Within UDAs, the development of a 'housing needs assessment' guides any affordable housing requirements that are prescribed for a site. In South Australia the redevelopment of public housing in Woodville West would have required the management of impacts on existing residents although this was not done through the planning system.

New affordable housing development was incentivised in all three states. In Queensland it was through density bonuses within UDAs. Local governments in SA can employ optional local planning provisions that relax some development standards for affordable housing, but only in areas where the 15 per cent policy does not apply. A range of incentives are offered in NSW, through various planning controls, including concessions on development standards, density bonuses and the alternative approval process for Housing NSW developments.

Securing a dedication of affordable housing has been the primary purview of South Australia's 15 per cent policy. In Queensland, similar inclusionary zoning requires the delivery of affordable housing (or a financial contribution towards it, although this is

not the favoured means of delivering affordable housing within UDAs). Significantly, with the limited support for the ongoing use of SEPP 70, there is no state-wide policy for securing affordable housing through new developments in NSW, although there has been a target for developments delivered by the government land agency, Landcom. Only local initiatives are being employed to secure housing, and even here, it is a voluntary arrangement negotiated as part of the rezoning process.

Key considerations are the relative merits of incentives and mandatory contributions to deliver affordable housing through the planning system: South Australia sets clear requirements through the 15 per cent policy; the A-SEPP in NSW utilizes incentives alone; and the ULDA in Queensland employs a combination. We note there were perceived benefits of avoiding mandatory requirements in NSW: minimising impact on development viability, enabling sites over a large area that require less government intervention to emerge, and integrating a potentially ongoing supply into existing neighbourhoods. However, the result is the absence of any clear guidelines or expectations for delivery. This distinguishes the A-SEPP from the approaches in Queensland and South Australia. ULDA development schemes and Affordable Housing Plans in SA set out the exact levels and locations of affordable housing provision for specific sites, but the A-SEPP effectively makes a judgement that affordable housing would be appropriate in any suburban location, making it difficult to predict if and where housing will be delivered.

This lack of certainty, and strategic planning preceding its introduction, has affected the take up and acceptance of the A-SEPP, making it politically vulnerable. It is also evident that the A-SEPP does not provide sufficient incentive for affordable housing to be delivered within centres, high density areas or other significant developments (a lost opportunity that the U-SEPP could potentially redress). It was also clear from the Queensland and South Australian cases that certain levels of affordable housing could be delivered through mandatory requirements without affecting project viability, at least on some sites.

7.4 Stakeholder engagement and planning for affordable housing

The approaches to planning for affordable housing in the three states studied were all driven by state government agencies, albeit different agencies and with varying degrees of integration with other government policy frameworks. The creation of the ULDA by the Queensland Government effectively allowed local authorities to be bypassed in the statutory planning process for certain strategic sites in Queensland, and gave the ULDA the powers both to require affordable housing of developers and to incentivise its incorporation into projects through the provision of voluntary density bonuses. The 15 per cent inclusionary zoning control in SA was driven by Housing SA, but it is implemented primarily through the state planning strategy and local planning schemes. The planning framework has been (and is being) adjusted to provide mechanisms to deliver the 15 per cent requirement through the planning process. The A-SEPP was developed by the NSW Department of Planning and Infrastructure and, like the ULDA, provides a means of increasing consistency and incentivising affordable housing development. Of course, unlike the approaches adopted in Qld and SA, the A-SEPP targets small infill sites across Sydney.

As discussed in Chapters 4–6 there was a range of views from stakeholders on the various approaches taken to planning for affordable housing in the three study states. In Queensland, there was strong support from the development industry for the ULDA model. The ULDA was seen by developers to have improved planning efficiency and increased certainty dramatically, and to be well attuned to their needs. This was

particularly true for NFP housing providers for whom its streamlined planning approval processes had facilitated the delivery of housing under time-limited funding schemes such as the NBESP and NRAS. While stakeholders from state and local government concurred that the ULDA had been very effective in driving and facilitating urban renewal and delivering affordable housing outcomes since its creation in 2007, there was also a view that the affordable housing targets for UDAs had so far been unambitious. Concerns were also expressed about the ULDA's lack of democratic accountability, and some (although not all) felt that the organisation was not as consultative as it could or should be, too rarely involving others in its decision-making processes. The counterpoint here was that representatives from local government suggested that certain local government authorities had welcomed the impetus and expertise that the ULDA provided for difficult or complex sites that would otherwise have been difficult or impossible for them to progress.

Some local communities and local government authorities strongly objected to the declaration of UDAs in their areas in recent years, with the opposition seemingly at its most fierce in Southeast Queensland. One of the ULDA's most vocal critics, Campbell Newman, was Lord Mayor of Brisbane when the ULDA was originally established in 2007, seeing statutory planning powers for several major sites transferred from Brisbane City Council to the ULDA soon afterwards. Following the 2012 Queensland Election, Newman became State Premier, and quickly moved to deliver on his election promises by winding back the ULDA's powers and returning planning powers to local government authorities. There are signs that further changes will follow, with the ULDA then likely to lose the range of powers and responsibilities that made it an interesting model for this study. As with the A-SEPP in NSW, the case of the ULDA then highlights the crucial importance of inter-agency cooperation and stakeholder buy-in to the success of an affordable housing initiative.

In South Australia, there was a general view among developers that the 15 per cent policy was reasonable and achievable for greenfield sites at the urban fringe, but much less so for urban renewal sites. The only privately-initiated renewal project that we found where the 15 per cent policy had been applied to date was heavily subsidised by government. Developers also complained about the onerous reporting requirements and the lack of guidance from Housing SA on how to deliver the 15 per cent affordable housing. In this latter respect, the findings in SA contrast markedly with experiences in Queensland where emphasis for the ULDA is on pre-application and pre-decision discussions as a strategy for increasing planning efficiency and reducing costs. However, it seems likely that both of these concerns will fade away as developers become more familiar with the policy and its operation, gaining experience and expertise in affordable housing development as they do so. Housing SA recognise the difficulties that the higher land and construction costs on renewal sites present for developers in delivering the 15 per cent affordable housing requirement, but they are optimistic that it can and will be achieved. Their strategy in the short term will be to roll out the release of government-owned land for joint venture redevelopment, as discussed in more detail below.

The attitudes of local and state government stakeholders in SA towards the 15 per cent policy were generally positive, albeit that some local governments were said to have been resistant to its introduction. The policy is simple and transparent, and there appeared to be a good understanding among stakeholders of its form and purpose, as well as effective co-operation across government in its implementation. The embedding of the 15 per cent requirement within existing Housing and Planning policy frameworks and legislation would also seem in many ways to make this approach to planning for affordable housing more robust than the ULDA model; it would now be

difficult and time-consuming to change the policy, and it is democratically accountable and therefore perhaps less politically sensitive than the ULDA. Even where local governments in SA oppose local affordable housing provision, they will be required to make provisions for it in their Development Schemes on sites meeting the state specified criteria (see Chapter 5).

While the 15 per cent policy has been successful at the urban fringe, it remains to be seen whether it can work on renewal sites. In order to address this, Housing SA (probably as part of the new Urban Renewal Authority) will be rolling out the 15 per cent requirement on state-owned urban renewal sites in forthcoming years, with a view to private developers being able to take a lead in the medium to long term. The creation of the new urban renewal authority can further strengthen existing relationships between government agencies and facilitate the delivery of affordable housing through some or all of the means discussed in Section 7.3 above. Although the SA urban renewal authority seems unlikely to have planning powers like the ULDA, it will be able to secure affordable housing on all of its sites through the 15 per cent policy which applies to all government-owned land.

A key initial task for the SA urban renewal authority will be to allay developer nervousness about medium density development and to demonstrate through JVs that affordable housing can be delivered on urban renewal projects while still returning a profit. The formalizing of existing ties between government agencies and the establishment of closer links with the development industry through the urban renewal authority and joint ventures can only be positive for urban renewal prospects in Adelaide. However, it would seem that there is also a need for a major shift in community attitudes towards medium density living if any but the easiest and most attractive urban renewal projects are to proceed without major government subsidy. Woodville West will be something of a litmus test in this respect, with interviewees from Housing SA suggesting that if medium density built form product does not sell well in early stages of this project, it will not feature to the same extent in subsequent stages.

Rather than requiring affordable housing provision as does the 15 per cent policy in SA and the ULDA's inclusionary zoning, the A-SEPP in New South Wales attempts to incentivise the development of affordable housing through the provision of streamlined planning approval processes and voluntary density bonuses. Somewhat paradoxically, however, the A-SEPP is the mechanism from the three study states that has been the most widely and most heavily criticised.

Most of this criticism has not come from the development industry (who would seem to be largely indifferent to it) but from local government and the community. The main issues have been either that some proposals for affordable housing that would not have been permissible in local areas under council Planning Schemes have been approved under the A-SEPP, or that proposals by HNSW could be self-assessed and self-approved, seemingly bypassing local planning controls. The reaction of communities and local governments to these measures has been extremely hostile in some parts of Sydney, based on concerns about undesired physical and social change. Some local authorities have also been critical of the NSW Government's consultation process for the A-SEPP and inner-Sydney councils have found that the policy provides too few opportunities for affordable housing development in high density, inner city areas and in complex redevelopments. The introduction of the A-SEPP also seems to have limited the opportunities for local governments to develop their own place-specific affordable housing strategies.

As discussed in Chapter 6, there have been some significant changes made to the A-SEPP since a new NSW Government was formed in 2011. In the wake of local

government and community resistance to its implementation, new provisions in the A-SEPP removed the permissibility of low-rise medium-density development in areas where single dwellings are usually permitted and introduced a new merit assessment of compatibility with 'local character'. Proposals that would have been approved under the A-SEPP in its original form are now being refused by local planning authorities. This, coupled with the continued resistance to the implementation of the A-SEPP by local communities, is likely to increase developer uncertainty and deter them from attempting to use its provisions.

While the A-SEPP certainly has many positive features as a model for planning for affordable housing (one of which was its support for involvement in projects by NFP housing providers), where it fell down was in its limited integration with existing planning frameworks, its lack of flexibility, the inadequacy of its incentives in certain development contexts, and perhaps most of all in the lack of communication between the Department of Planning and Infrastructure and local government authorities. Had there been greater support for the A-SEPP within local governments (perhaps with some opportunity for its provisions to respond more fully to context), it seems unlikely that the resistance to its implementation would have been as fierce.

Somewhat surprisingly, it was then local governments that were the group of stakeholders most hostile to the emerging approaches to planning for affordable housing in Qld, SA and NSW. In Qld, some local governments (by no means all) have resented the removal of their planning powers and object to the ULDA's unaccountability. In South Australia, the 15 per cent policy has been largely accepted by developers, at least for greenfield sites, but has encountered some resistance from certain local government authorities. In NSW, the A-SEPP has been roundly criticised by local governments from multiple directions, as well as by local communities. What these findings strongly suggest, in terms of stakeholder engagement, is that a hostile and antagonistic relationship between stakeholders can be extremely damaging for the implementation of affordable housing policy directions, particularly in the period immediately following their initial introduction; the 'slow and steady' approach adopted in SA and by the ULDA in its first few years (i.e. not requiring too much, too early) has helped generate acceptance with the development industry. Policies also appear to work most smoothly where they are simple and transparent, where they have buy-in from the relevant stakeholders, and where the interests of those stakeholder groups are not at odds with one another (as they seemed to be in some instances where development was proposed under the A-SEPP).

7.5 Alignment with other policies, programs and funding

The ULDA in Qld and the 15 per cent affordable housing control in SA were both initially introduced through state housing strategies, albeit that they sought to deliver affordable housing through the planning process. The A-SEPP in NSW was introduced by the then Departments of Planning and Housing and brought together elements of various planning tools that had been used for similar purposes in the past. As touched upon in Section 7.1 above, these three approaches exhibit differing levels of integration with existing planning policy and legislative frameworks. Also of note, however, is their level of integration with other policy areas—particularly broader housing policy changes—and other existing programs and funding sources.

Housing policy in Australia has shifted in recent years, most recently with the introduction of a new Commonwealth-state collaboration under the NAHA. The effect is a shift away from government development and management of housing stock for medium, low and very low income households, towards a greater non-governmental role in providing such housing. Three aspects of this shift are worth exploring: the new

Commonwealth Government funding sources through HAF, NRAS and homelessness programs; the need to increase the capacity of the NFP sector; and the reduction in public housing assets (both land & houses).

It is clear that the A-SEPP sought to integrate with NRAS, by both adopting its definition of affordable housing and by aligning the required affordable housing contribution with the 10-year financial incentives of NRAS. As NRAS has attempted to attract institutional investors, though, the small-scale focus of the A-SEPP is not ideal. In case studies in both Queensland and South Australia, NRAS was used to subsidise affordable housing. In Queensland, though, there was evidence that the ULDA process did not fully align: securing NRAS entitlements requires specific dwellings to be nominated, something that was not possible at the early stage of the ULDA development process when funding needed to be secured to ensure viability.

Funding through the HAF was also used in two case studies in South Australia (at St Clair & Woodville West). However, at St Clair it helped deliver affordable housing in a rather convoluted way. The local council secured the grant from the Australian Government to cover some site preparation costs. As the site preparation costs are usually covered by the developer, the council effectively subsidised the developer. This cost saving to the developer was then passed to the home owner through a reduced sale price. Finally, to ensure affordability is retained at any future resale, the additional value (i.e. the difference between the sale price and the actual property value) is held by the SA Government through a shared equity scheme. In other words, the HAF grant passed from Australian Government to local government to developer to owner to SA Government.

It is difficult to measure the efficiency of this process (as some of the funding would also ultimately land with those obtained properties rented out at a concessional rate, and also potentially reduce the sale price of housing across the development). But if split across the anticipated 184 affordable dwellings, the HAF funding equated to \$65 000/dwelling; nearly one third more than the \$46 000/dwelling that has ended up in the shared equity scheme. Put another way, if the \$12m was allocated directly to a shared equity scheme that could reduce purchase prices by \$45 000, some 266 dwellings could be subsidised.

Housing funded as part of the homelessness strategy is high needs housing, not the focus of either the ULDA or much of the A-SEPP (although Housing NSW sped up delivery of social housing funded through the NBESP). In South Australia, interviewees suggested the homelessness program was providing funding for NFP housing providers to deliver high needs housing, although it was not always linked to high needs housing delivered through the 15 per cent policy. The point was also made that funding for such housing can increase the scale of NFP housing providers, but not their capacity to grow under their own steam, because such housing is usually managed without revenue to cross-subsidise future growth.

More generally, increasing the capacity of the NFP housing sector remained a priority across the states and is supported by the NAHA. With each studied approach, NFP providers were needed in some role. However, that role varied. Under the A-SEPP, NFP providers must manage affordable housing encumbered for 10 years, and are given encouragement to lead joint ventures for housing developments outside residential zones (using the 'site compatibility certificate' process). In Queensland, the ULDA was working closely with the Brisbane Housing Company, which purchased sites within UDAs to deliver affordable housing. In South Australia, particularly as the 15 per cent policy shifted from the fringe to urban renewal, a greater proportion of the affordable dwellings were rental properties, increasing the need for NFP providers to develop a property portfolio.

In all states, though, the existing capacity of the NFP housing sector remained an issue. In NSW and South Australia, other activities of housing agencies were designed to increase that capacity. Housing NSW is partnering with NFP providers through both A-SEPP and other, larger, redevelopments. Housing SA were exploring similar processes, as surplus government assets were redeveloped.

Finally, there was also evidence of states aligning the downsizing of the public housing portfolios with their affordable housing planning interventions. This was particularly the case in NSW and SA. In NSW, Housing NSW identified some 300 sites within its portfolio to redevelop under provisions in the A-SEPP, which were then transferred to NFP providers. In South Australia, one of the case studies, Woodville West, was formerly a public housing estate.

7.6 Definitions of affordable housing

Across the three states studied, there were some significant differences in the definitions of affordable housing that had been adopted and the extent to which occupation was restricted only to specified groups (Table 23). The least regulated affordable housing was that defined as such by the ULDA in Queensland. Essentially, to represent a contribution towards set affordable housing targets on UDAs, a dwelling must simply be available for purchase below a certain price point. There is no mechanism for restricting the purchase of that dwelling to eligible groups, nor to ensure that it is not sold on for a profit at a later date. However, as the interviewees pointed out, the ULDA's housing diversity requirements do build affordability into at least some of the product that is delivered. In South Australia, dwellings also contribute towards affordable housing targets where they are delivered below a certain price point, but the Property Locator (see Chapter 5) restricts sales to eligible groups for the first 90 days a dwelling is available. On-sales are unrestricted. The 15 per cent affordable housing control also requires that 5 per cent of dwellings are provided as high-needs housing. This 5 per cent high-needs housing is accessible only to eligible groups and remains affordable in perpetuity as it managed either by government or NFP housing providers. The definition of affordable housing used in NSW is more tightly defined than those in Queensland and South Australia, and includes only rental properties eligible to low and moderate income households under NRAS or through a community housing provider. These dwellings are then retained as affordable housing for a minimum of 10 years.

Table 23: Definitions of affordable housing in Qld, SA and NSW

	Qld	SA	NSW
Tenure	Purchase and/or rental	Rental and purchase. Ideally a split of 5% market for sale, 5% market for rent and 5% high-needs rental	Rental
Target groups	Low-moderate-income households earning between \$45,000–105,000 (in 2011)	Low-moderate-income households (earning up to 120% median income) and high-needs groups.	Low-moderate-income households eligible for NRAS properties or earning up to 120% of median income
Restrictions on purchase / occupation of affordable housing	Affordable housing open to market	10% market housing targeted to eligible groups through Property Locator for	Affordable housing available only to eligible low-moderate income groups

		90 days, then open to market. 5% high-needs restricted to eligible groups	
Mechanisms for retention of affordable housing	On-selling unrestricted NRAS units retained for 10 years	On-selling unrestricted NRAS units retained for 10 years High-needs housing retained in perpetuity through various providers	Affordable housing retained for 10 years through NRAS or in perpetuity through community housing provider
Targets matched to housing need	Yes—needs determined on a site-by-site basis	15% requirement including 5% high-needs based on Housing SA housing need assessment	No

It is clear from Table 23 that there are differences in definitions of affordable housing across the states, with the definition used in the A-SEPP closely aligned with NRAS and somewhat narrower than those used in the other two states. The advantages with the definition used in NSW is that the affordable housing delivered remains affordable for a minimum of 10 years, is targeted directly to eligible low and moderate income groups, and supports involvement by NFP housing providers. In South Australia, there are controls on the occupation of high-needs housing and the Property Locator provides the opportunity for low and moderate income earners to purchase homes before they are released onto the open market. On UDAs in Queensland, however, there are no mechanisms in place to ensure that affordable housing is purchased by low and moderate income groups, nor to retain it as affordable housing through restrictions on re-sales. While housing may therefore be delivered below the ULDA's price point it is likely that this will be unaffordable to those not earning close to the upper income threshold in its target group, and there is no guarantee that it will not be purchased by higher earners or investors in any case. There is a need for greater housing diversity to be achieved in UDAs and this is something that the ULDA is looking to address in the short term through the Shared Equity and My Place schemes discussed in Chapter 4.

7.7 Outcomes to date and relative effectiveness

The policy settings, initiatives and measures across the three jurisdictions that have provided the focus of this report have—to varying degrees, in different ways, and to different definitions—contributed to the provision of new affordable housing supply in recent years. Table 24 below presents the affordable housing outcomes approved to date under the different approaches to planning for affordable housing in Qld, SA and NSW.

Table 24: Affordable housing outcomes approved in Qld, SA and NSW

	Scale covered by figures	Total dwellings approved	Affordable housing outcomes	Affordable housing as percentage of total
Qld	The two major urban renewal UDAs currently underway: Bowen Hills and Northshore Hamilton	3,065	535	17%
SA	All urban renewal and infill sites to which the 15 per cent policy has been applied to date (as at 31 October 2011). Includes the renewal of some major public housing estates at the urban periphery	2,165	562	26%
NSW	Sydney-wide—HNSW projects self-assessed under the A-SEPP or similar provisions	1,705	1,705	100%
	Sydney-wide—Private-sector affordable housing projects approved under the A-SEPP (just for financial year 10/11)	210	210	100%

Source: Unpublished figures provided by the ULDA; unpublished figures from Housing SA Affordable Housing Agreement Tracking System (AHATS); Housing NSW (2012a); unpublished Department of Planning and Infrastructure data on affordable housing approvals Financial Year 2010/11

The extent to which we can understand the relative effectiveness of those settings is limited by the distinct characteristics of each and the contexts within which they are applied. It should be noted that these figures are not directly comparable given that the different approaches have not been established for the same length of time; the figures do not represent affordable housing approvals across equivalent geographical areas; and the figures for private approvals under the NSW A-SEPP are for the 2010/11 financial year only. Nevertheless, a number of observations from these data can be flagged. Overall, the numbers are small, but nonetheless significant. In the context of larger scale development, as has been seen in Qld and SA, the proportion of affordable housing provided through the respective mechanisms has exceeded target allocations. In the case of NSW, the A-SEPP has fulfilled a number of functions. More successfully, it provided an effective mechanism for HNSW to deliver NBESP activity in the timeframes required. Less convincing has been private sector interest in these provisions, with little additional affordable stock (certainly beyond the opportunities presented for owners to build granny or 'Fonzie' flats) encouraged and facilitated. But how might we start to assess whether the measures, frameworks and delivery vehicles being put in place are the right ones, or at least providing positive outcomes in line with policy goals and objectives?

7.7.1 How might we measure effectiveness?

There is no attempt here to offer a comparative analysis of these policy initiatives, not least because the research team have not been made party to the financial data—or stated intentions of expenditure—in order to do so. There is an implicit assumption that use of such mechanisms represents an effective means of securing affordable housing provision (or preservation) in response to the level of subsidy or dispensation involved. This might take on a range of supporting arguments, for example in helping stretch public dollars further and assisting more households than would be possible if

that level of subsidy had been simply allocated to the state housing authority to build and manage new social housing supply for those determined to be most in need. But as discussed above, what might constitute affordable housing, how it might be targeted, and what expectations and commitments policy might have in terms of preserving that subsidy (in the form of preserving on-going affordability to those homes where some form of grant, incentive or concession was applied) ensures that seeking to track the cost and benefits of subsidy flows—from multiple sources, with multiple aims—is an especially difficult task. This is further compounded by the site-specific reality of the development process: often nuances of context are as important, if not more, in determining and shaping viability considerations as broader economic and market drivers.

So how might an understanding of effectiveness be untangled?

One way of identifying policy effectiveness is in terms of the overall numbers of affordable housing supplied which can be aligned to each respective measure. However, although 'performance' data in terms of new dwelling provision are presented (as in Table 24), it is inevitably hard to determine the extent to which the supply of those dwellings might have progressed without such settings in place, or indeed the price points at which they might have been introduced to market. How do you account for, and factor in the benefits of, in a myriad combinations, helping coordinate and bring forward development, providing sufficient scale and efficiencies to push for affordability imperatives, and facilitating a range of options, from high-needs provision to those who need a shorter-term helping hand and more attainable entry price in order to become first time buyers?

We can also seek to assess the effectiveness of such settings and programs through determining their impact or contribution to addressing broader housing affordability, provision and choice in their respective contexts. Here, the response is again complex. The numbers are simply too small to have any significant impact on broader housing stress or affordability concerns, and will respond and reflect different market contexts in different ways. Where affordability thresholds have been established – for example under South Australia's 15 per cent requirement – then those thresholds are clearly helping shape the delivery of a certain segment of new supply to those price points. The longer term objectives of a consistent policy approach and framework is to help mediate land values over time and see those requirements priced in to residual land values.

A key measure of policy effectiveness, particularly so in terms of demonstrating accountability and transparency, focuses upon the targeting of public expenditure and determination that any subsidy or dispensation has been efficiently applied to meet goals and responsibilities. While it may be argued that any supply at the 'affordable' end of the market is positively welcomed, there is a need to better understand how any subsidy might be applied and who might benefit.

In the case of this last point, models and arrangements predicated on planning gain as discussed in this research align to a large degree with aims to provide a range of affordable housing options including near-market private rental and homeownership. Such options arguably require fewer subsidies per assisted household when compared to traditional models of social housing provision, and as such can be seen as an effective means of stretching finite public funding resources further. They also accord with principles within the NAHA to facilitate housing pathways in a 'whole of housing system' policy approach. However, operating within this broader spectrum, the question of targeting expenditure, and justifying that targeting, is harder to demonstrate and account for. This is particularly so where the measures do not

necessitate the policing of the on-going affordability of supply concerned, or indeed where the criteria dictating who can and should benefit from them at the outset are not strictly imposed or defined. The assistance provided transfers to the beneficiary household, and those subsidies act essentially as demand-side grants rather than investment in long-term social infrastructure.

There are other structural challenges that make measurement of the effectiveness of those approaches all the harder. Given that these models necessarily work to extract an affordability dividend through prevailing market and economic settings, policy and markets inevitably interact around quite tightly defined parameters. In seeking to achieve viability and get things to 'stack up', there is a tendency for such measures to work most effectively the closer you get to 'the market' – and to forms of assistance which suggest the need for relatively shallow rather than deep subsidy. On the developer side, the starting point is often framed in terms of the need to introduce efficiencies in order to drive costs downward, and typically a cocktail of measures are required to get those savings across the defined threshold for affordable home purchase or near-market private rent. But it is clearly easier to do this than secure the level of dividend necessary to enable provision of housing for social rent to often high needs groups. Thus whilst the 15 per cent requirement in SA aims to provide 5 per cent (and thus a third of new affordable stock) as housing for high needs social rent, the other 10 per cent is likely to drift towards near-market renters and purchasers.

The rather complex cocktail of measures required in order to enable these models to stack up are also accompanied by heightened exposure to risks which accompany housing market activity. Planning gain models tend to work best where significant value uplift in land values is enabled through development. It follows that strong, rising housing markets (often the cause of greater housing affordability constraint) offer the potential for larger gains to support affordable housing provision. This might be seen as a virtuous feedback loop to a certain extent, however inherent limitations quickly appear:

1. Not all housing markets conform to the strong, sustainable growth in values required to make such arrangements viable, and where approaches have become overly-intertwined with such frameworks, options for funding supply outside those areas where gain can be extracted will struggle.
2. The scale and site characteristics at which models predicated on planning gain work most effectively point towards development industry characteristics commonly associated with larger Brownfield redevelopment in higher value areas compared to the historically smaller scale, more incremental development and renewal of lower value suburbs.
3. Over-dependency on the market becomes all too apparent where those markets collapse. For example, in the years leading up to the Global Financial Crisis, section 106 (planning gain) agreements in the UK accounted for a significant share of total affordable housing provision. However, in subsequent years as private dwelling starts have dwindled, so too has funding through section 106.

Such frameworks tie affordable housing provision into market mechanisms, with outcomes dictated by market signals and trajectories, increasingly detached from a structure of provision based upon actual need. This is not to suggest that planning gain mechanisms cannot be utilised as an effective, appropriate means of increasing the supply of affordable housing, but rather recognises that they offer only a partial response. Different policy settings, with different objectives and intended targets, will be more responsive than others across different market contexts.

7.7.2 Different market contexts, different viabilities, different approaches

Accompanied by a series of caveats and provisos made necessary through the issues and considerations raised above, four indicative scenarios, capturing different market contexts across a hypothetical Australian city (see Figure 9, Tables 25 & 26) are presented in this section. Although some indicative figures and values are presented, we acknowledge that many of these costs and assumptions are greatly simplified. The recently completed HAF-funded Inner City Mayors Forum study (2011) presents a detailed analysis of the potential redevelopment of around 25 sites in inner-Sydney areas and the affordable housing dividend that may be achieved. Their feasibility calculations use a discounted cash flow method to produce measures of development margins, internal rates of return and residual land value. Detailed design considerations were also integral to their approach in order to work through the most appropriate, as well as viable, solution to each of the study sites.

Our objective here is simpler. It is to highlight—in a very broad sense—that different market contexts shape the potential viability and acceptability of affordable housing outcomes in different ways, and given this, that different mechanisms are likely to be more or less effective than others across those different contexts. We do not attempt to determine the type of affordable stock that might be provided, or the stakeholders who might be involved in the process, including other funding streams that might be facilitated through their involvement. Rather we provide comparative analysis through identifying the potential number of dwellings that might be enabled through density uplifts. We then apply (again, simplistically) an estimate of the proportion of those dwellings that would need to be sold at ‘market’ rate in order to accord with development viability criteria. Those market values inevitably reflect local market and affordability contexts. How any ‘surplus’ once those development costs are accounted for is then attributed to affordable provision is not determined.

Scenario 3 seeks to push the boundaries of current urban renewal considerations in the Australian context further, moving beyond assumptions that the renewal task remains essentially tied to the redevelopment of Brownfield sites. With existing homes and communities involved, levels of complexity clearly increase and the feasibility of planning mechanisms alone to facilitate change greatly decrease. The scenario uses the concept of inclusive renewal, where existing property owners are encouraged (and incentivised) to undertake redevelopment in ways which preserve levels of affordability whilst enabling the renewal of ageing stock. The ‘developer’ margin (given the dividend for the existing owners is a new property with slightly higher market values) is set at 7 per cent rather than the 15–20 per cent used in the other scenarios.

Figure 9: Four scenarios across different development contexts in a hypothetical Australian city

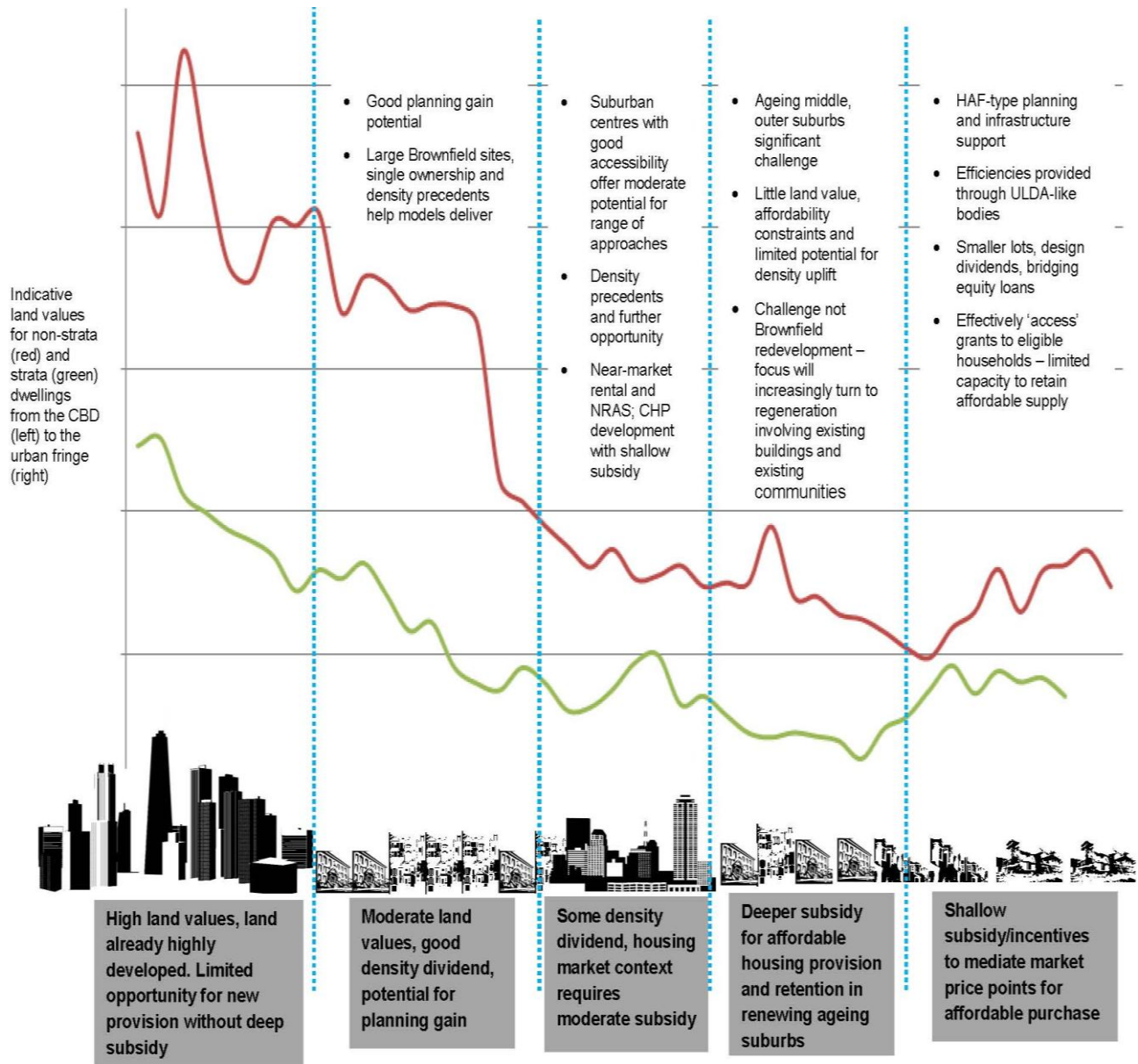


Table 25: Urban redevelopment/renewal and development scenarios

Scenario 1: inner middle-ring, high demand market	<ul style="list-style-type: none"> → 2000sqm brownfield former industrial land; single ownership, 600m to transit stop and local centre. Moderate land values and high demand from young professional couples—for rental but also first purchase. → The site can support higher densities, with precedents nearby. With one of the buildings at 4+ storeys, additional design, construction and car park costs need to be accommodated. A mix of studio, 1- and 2-bedroom apartments are proposed and calculations assume an average unit size of 75sqm, and an average market value of \$530 000 (approx. \$7000/sm). Half of the apartments have car parking provisions. → Current FSR of 1:1 are renegotiated to 1:5 on the basis that affordable housing provision is enabled. The nature of the site provides the potential for subdivision and planning gain offered as a proportion of land rather than a proportion of feasible units.
Scenario 2: Middle suburban centre, high demand for private rental	<ul style="list-style-type: none"> → 4000sqm brownfield land surrounded by low to moderate income flats and townhouses at medium density. This middle ring suburb has a high proportion of recent immigrant households and high levels of private rental. There is good demand, but affordability constraints are high. → The site is acquired at sub-market cost—a state agency has ‘donated’ their small section of the site. While there is precedent in terms of density, the local market struggles to make 4+ storey development viable. As such, while some uplift can be offered, 3-storey walk-up blocks are likely to be most feasible. A range of 2- and 3-bedroom properties are proposed and calculations assume an average unit size of 90sqm, and market value of \$320 000 (approx. \$3500/sm). → Current FSR has been renegotiated from 0.8:1 to 1.2:1 in an attempt to support affordable housing provision through uplift.
Scenario 3: ageing middle-outer ring lower value precinct	<ul style="list-style-type: none"> → Two adjoining 1960s walk-up blocks, lower value predominantly private rental area within walking distance to a town centre. The walk-up blocks are tired, with fragmented ownership by Mum and Dad investors acting as a barrier for reinvestment → An ‘inclusive’ renewal process is agreed. Both blocks will be demolished and the amalgamated site redeveloped to higher densities. Owners are offered the opportunity to be ‘bought out’ at market value, or to participate in the renewal process, whereby their unit is replaced on a 1:1 basis in the new development. Half the existing 24 unit owners agree to participate. The other 12 sell up. → The current FSR of 1.5:1 is uplifted to 3:1, enabling the 24 apartments to be replaced with 48. 12 of the new apartments are taken up by title transfers in the inclusive process. 36 are to be made available for sale at affordable price points given local market context. Developer margin assumed to be at ‘sustainable’ rates (7%)—with dividend for participating owners in form of a modern property with a higher (although not substantially higher) market value at the end of the process.
Scenario 4: Greenfield fringe, low-moderate value market	<ul style="list-style-type: none"> → Release area with strategic assistance from the State Development Agency, including significant number of smaller lots (<350sqm). Fringe location with demand sourced from lower/moderate value local markets. → Predominantly 3–4-bedroom houses proposed, and calculations assume an average size of 140sqm or 350sqm of land. Infrastructure and levy charges ‘capped’ at \$30 000 per lot. → Developer margin assumed at 15%. Market values for viability would point to price points above \$400 000. Shallow subsidy/further concessions required to bring prices down to affordability threshold.

Table 26: Feasibility scenarios

	Scenario 1: Inner middle- ring, high- demand market	Scenario 2: Middle suburban centre, high demand for private rental	Scenario 3: Ageing middle- outer ring lower value precinct	Scenario 4: Greenfield fringe, low– moderate value market
Site	Brownfield former industrial land; single ownership, 600m to transit	Brownfield land, partly owned by state agency, surrounded by low–moderate- income rental at medium density	Two adjoining 1960s walk-up blocks, lower value predominantly private rental	Release area with strategic assistance from the State Development Agency
Size	2000sqm	4000sqm	1600sqm	50,000sqm
Land cost (includes applicable stamp duty)	\$4,000,000	\$2,000,000	\$2,750,000 (assumes 50% buy-out)	\$10,000,000
Cost of finance for acquisition and other holding costs	\$320,000	\$160,000	\$220,000	\$800,000
Land total	\$4,320,000	\$2,160,000	\$2,970,000	\$10,800,000
Current FSR	1:1	0.8:1	1.5/1	
Negotiated FSR	1.5:1	1.2:1	3/1	
Number of dwellings	40	52	48	150
Dwelling size	75sqm	90sqm	90sqm	140sqm
Construction cost, including land preparation	\$2250/sqm	\$1800/sqm	\$1800/sqm	\$1600/sqm
Construction finance	\$550,000	\$675,000	\$620,000	\$2,700,000
Car parking	\$800,000	\$600,000	\$550,000	Incl.
Professional fees @ 6% construction	\$450,000	\$575,000	\$537,000	Incl.
Construction total	\$8,550,000	\$10,274,000	\$9,482,800	\$36,268,000
Government charges	\$750,000	\$750,000	\$350,000	\$4,500,000
Sales and marketing fees @ 5% total	\$650,000	\$660,000	\$620,000	\$2,500,000
Developer margin	(@20%) \$2,850,000	(@ 20%) \$2,770,000	(@7%) \$915,000	(@15%) \$7,600,000
Price to market	\$15,444,000	\$16,614,000	\$14,000,000	\$61,700,000
Indicative market value of dwelling	\$530,000 (\$520/wk)	\$320,000 (\$350/wk)	\$290,000 (\$300/wk)	\$350,000 (\$390/wk)
Market sales required	29/40	52/52	48/36	176/150
‘Gain’/loss per market dwelling	\$144,000	0	-\$98,000	-\$61,000
Surplus or subsidy?	Planning	Essentially	Deeper	Subsidy

gain feasible: small number of affordable units made available	break-even: subsidy required if affordable element to be included	subsidy required – to assist renewal, increase supply	required, including reduced developer margin
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It is important to reiterate that the value of these scenarios is not in the detailed assessment of potential development viability and associated figures. As noted, such calculations can only provide the most basic of starting points. What this exercise does provide, however, is a means of exploring further the need for different responses, different expectations and, crucially, different levels of subsidy across different market contexts. Some broad markers can be set out:

Provision models seeking to extract value from planning gain may work in some market contexts and certainly not all. Indeed, the parameters within which arrangements best comply with stated aspirations are relatively tight. There needs to be residual value in the land, but not too much. The models struggle in contexts where land values are too high or too low. There needs to be a sufficient breadth in local housing demand profiles to support mixed tenure development. They require developments of a certain scale, and for the development site to be relatively straightforward in terms of redevelopment prospects. Single ownership of that land is highly preferable. Proximity to higher density existing form is also advantageous as it suggests amenable planning contexts, market demand and a degree of community acceptance.

Even in these circumstances, the affordability dividend presented is likely to be less than initially envisaged. As highlighted in a number of the case sites used in the Sydney Inner City Mayors Forum study (2011), where the site offers the potential to subdivide the overall site and allocate a proportion of land to an affordable provider (rather than a proportion of total units in the development) the NFP housing provider can secure much greater leverage.

Outside of these favoured localities there are other measures, incentives, exemptions and interventions at different stages of the design, development and sale of new housing supply where an affordability dividend can arguably be squeezed out of the planning process. Often these are framed as savings enabled through greater efficiencies, faster planning assessment timeframes and reduced costs associated with risk as levels of development certainty improve.

In Greenfield and large site redevelopment contexts, these measures may in reality boil down to somewhat streamlined design outcomes, smaller dwellings and lot sizes, and ‘affordable’ outcomes that just squeeze within affordability thresholds rather than provision targeted at those in highest need. The hope is that these measures, framed within broader policy commitments such as South Australia’s 15 per cent goal, act as ‘transitional arrangements’ before longer term structural change is seen. Key to all this is the residual land value: as future land acquisition values price in the affordability dividend, the hope is that a share of planning gain in future can be better captured to meet this public good at the start of the development process.

Where the market has most struggled to meet the housing needs of those facing affordability constraints—in lower and moderate-value middle and outer suburbs—these models, in working with those markets, largely fail to transcend or mitigate those challenges at any meaningful scale. Dwelling targets within Metropolitan strategies are falling short due to lack of viability: local demand, whilst very strong in terms of

housing need, cannot meet the price points required by new development and hence those developments do not proceed.

This is not to dismiss attempts to mitigate factors which add costs to the development process. However, across many lower and moderate value markets of Australian cities, the fundamental question is one of subsidy rather than surplus. If market-led 'renewal' does take place in such localities, it can only do so through targeting developments at moderate income households displaced from higher value areas, and in turn displacing local residents and fuelling gentrification. Pressure on those price points is all the more entrenched if a surplus to fund affordable stock is added to the equation.

An integrated approach—bringing together and coordinating different funding streams and mechanisms—can, and is, providing that subsidy to a certain extent. The increasing capacity and sophistication of the NFP housing sector will be fundamental in this regard. The certainty of funding streams provided through NRAS credits (for 10 years anyway) can play a key role in underpinning the viability of larger mixed tenure schemes, however the cocktail and complexity of measures often required to make sites stack up financially and deliver affordable outcomes raises further challenges and questions. This is particularly so where long-term commitment to those subsidy streams is not clear.

In these lower value middle ring suburban contexts, the renewal challenge will demand a greater recognition of the affordability constraints faced in these markets. Across much of these geographies, the market is unlikely to support the levels of price and density uplifts required for improved development viability, suggesting that seeking affordable housing dividends through planning mechanisms alone would have limited success. Rather the affordability challenge is more pervasive. It reflects the need to preserve the relative affordability of these areas for lower and moderate-income households. This does not necessarily equate to retaining existing stock considered affordable: a proportion of the housing 'offer' in these localities (often corresponding to ageing walk-up blocks housing some of the most disadvantaged households in the private rented sector) requires longer-term support. The affordability challenge also manifests itself as a more general constraint across many middle and outer suburban areas i.e. the impacts of housing affordability infuse and shape the housing decisions and options of a broader range of households.

With existing communities and existing housing stock involved, affordable housing considerations in the context of urban change take on a different degree of challenge in these locations. They start to reflect the complex, expensive and often politically fraught issues which have been relatively commonplace in restructuring post-industrial cities in many countries in recent decades but which have not troubled the urban policy agendas of Australian cities since the 1960s. Such interventions are often assisted by measures of the kind which provide the focus of this report: density uplifts, levy waivers, donated land, planning system efficiency gains etc. However, they are also accompanied (or at least were prior to the straightened fiscal context post global financial crisis) by significant commitment to subsidy, and a recognition that sufficient value cannot be extracted from all market contexts. The potential to lean upon the market to extract value is far greater where market mechanisms are working well. The corollary of this is recognition that different levels of subsidy to produce desired outcomes will be required outside of these favoured contexts.

8 CONCLUSIONS

8.1 Australian practice in planning for affordable housing

Following the introduction of the NAHA, all Australian state governments are in the process of transitioning from a government build-and-manage model of affordable housing, towards a model where non-governmental actors fill this role – with or without additional government subsidy. Under this new model, the planning system will play a key role in securing affordable housing provision, both through NFP housing development and private sector developer contributions (real or effective). Our practice review in Chapter 3 revealed that most Australian jurisdictions have introduced specific planning initiatives for affordable housing since 2008. Nationally, there is an increased focus on supporting the growth of a new affordable housing sector, and on the potential role of the planning system in facilitating access to development opportunities for affordable housing providers. In some jurisdictions, the principle that affordable housing must be delivered as part of new residential development also appears to have been broadly accepted by the development industry, provided that the planning obligation is explicit, designed for the specific market context, and, where necessary forms part of a wider bundle of supporting measures.

Given the need to build capacity and knowledge across multiple stakeholders, the lead in times for new development models to reach completion, and the cycles of the property market and broader economy, it is premature to draw conclusions regarding the overall success of the various approaches studied in Chapters 4–6, or their potential to remain viable, acceptable and productive in the long term. However, it is clearly the case that significant numbers of affordable housing units have already been secured in all three of the jurisdictions studied (Table 24). From these early years of their operation, several preliminary observations and recommendations can also be made to inform future policy development and implementation.

8.2 Design and implementation of planning initiatives

One theme emerging across the three jurisdictions studied (Qld, SA & NSW) was that the approaches used to generate affordable housing through planning gain were not yet comprehensive, in that they applied only to certain parts of the city. In Qld and SA the ULDA and the 15 per cent policy are limited to major developments, and in NSW the A-SEPP primarily targets smaller incremental infill developments in established residential areas. What this means in practice is that these approaches to planning for affordable housing can each only be used in a limited number of areas; this is especially true of the ULDA. It is therefore important that alternative mechanisms such as negotiated agreements are also available to local authorities where centrally-driven initiatives cannot be applied (e.g. small infill sites in Qld & SA).

Quite different approaches were taken to implementation across the three states, ranging from an emphasis on the reduction of existing barriers to affordable housing, through to the incentivisation of affordable housing development and specific requirements placed upon developers to deliver certain levels of affordable housing – often a range of approaches were used. Furthermore, the ULDA effectively bypasses local planning processes, while the 15 per cent policy in SA operates through them; one system sits outside pre-existing planning processes, the other is embedded within them. The A-SEPP in NSW is somewhere in-between these two. Both case studies and wider trends elsewhere in Australia suggest that large and complex urban renewal sites will increasingly necessitate involvement by dedicated government land

development authorities in (at least) an overall project management and co-ordination role. As discussed above, this presents major opportunities in terms of accelerating the delivery of affordable housing supply, provided that clear affordable housing expectations and mechanisms for procurement are established prior to, or during the planning phase.

The ULDA's wide-ranging powers and lack of accountability generated hostility towards it from stakeholders and made it politically sensitive. Indeed, the ULDA and the fiercely-opposed provisions of the A-SEPP in NSW offer an important lesson for policy-makers concerning the harm that hostile or antagonistic relationships with stakeholders can have in de-railing the implementation of particular initiatives or approaches—consultation and the embedding of said initiatives or approaches within existing policy frameworks and systems of accountability then become critical. As implied from our review of international practice in Chapter 2, local acceptability of affordable housing development appears greatest when the planning mechanism for the delivery of homes is embedded across a planning system, for interpretation and delivery within a local planning instrument or decision making process.

A key message from developers was that certainty is what they want the planning system to deliver, more than anything else. The ULDA provides an excellent model of planning certainty in practice, while the 15 per cent policy in SA is also simple and transparent; greater certainty is likely to come with time as developers become more and more accustomed to its implementation. Finding a balance between certainty and flexibility is challenging, but evidence from the various approaches studied in Chapters 4–6 suggests that certainty can be provided through simple and consistently applied overarching requirements, supported by flexible delivery options (e.g. varying affordable housing thresholds in relation to locational criteria and the availability of subsidies, or allowing flexible approaches to design and construction of affordable housing units). Stable policy settings allow planning requirements to be priced into land acquisitions over time, as demonstrated by the use of 'planning gain' to secure sites, and increasingly, funds, for affordable housing development in England (Crook & Monk 2011).

8.3 Measuring effectiveness

As noted in Section 7.7 above, it is difficult to measure the relative effectiveness of different approaches to planning for affordable housing, both because of the scarcity of data at these early stages of implementation, but also because of the different criteria against which effectiveness can be measured. The number of dwellings approved to date (Table 24) are clearly significant in all three states. Beyond these figures, effectiveness can also be measured by the impact of the approach on development viability, the degree to which the housing delivered matches housing needs, and the potential for the government to 'step back' from its traditional role of building and managing affordable housing.

All approaches studied in Chapters 4–6 have been designed with the specific intent of minimising impact on the viability of development. This is achieved by either making contributions voluntary or by allowing for variation in the mandatory contributions, or by restricting application of the policy to sites that have sufficient windfall (through planning control changes) to cover the mandatory contributions. Many impacts on development levels or, more likely, development profitability occur where the costs of delivering the affordable housing contribution are unknown and so cannot be accurately planned or accounted for. There are additional roles that governments must therefore play at an early stage of implementation; leading the market, the provision of guidance and support for private developers, partnering with them in JVs

and land release being some of the most important. The early-stage implementation of the 15 per cent policy in SA offers a good example of how this 'hand holding' exercise can help build acceptance of affordable housing planning initiatives in the development industry. However, while this approach can limit unwanted impacts on development viability in the short term, it can also limit innovation and may increase the risk that developers will become dependent on government support.

The approaches discussed in Chapters 4–6 have to some extent sought to match affordable housing provision with local housing needs. The 15 per cent policy in SA is based on a Housing SA housing needs assessment and the ULDA undertake housing needs assessments for all UDAs. However, it remains true that the affordable housing contribution at the case study projects, to date, has been shaped foremost by an effort by governments not to harm development viability: most of the dwellings delivered have been at or near market value (so not matching the spectrum of very low–medium-income households), have been at or near the smallest allowable dwelling size (so not matching the spectrum of household size within those households), and the mix of rental and sale has been largely determined by the market. While this emphasis on not harming viability is something that is understandable at the early stages of implementation, it is crucial that government expectations increase as the approaches become more established.

Increasing the involvement and capacity of NFP housing providers can increase the ability for the government to 'step back' from its traditional roles in the delivery of affordable housing, and the NFP sector can play a key role in delivering affordable housing through the planning process and addressing local housing needs. Housing delivered by NFP providers often remains affordable in perpetuity, tends to meet a broader range of housing needs (incomes, dwelling size etc.) and NFP providers can provide a valuable partner to the private sector, de-risking a project by taking some or all pre-sales. As discussed at length in other AHURI work (Milligan et al. 2009; Wiesel et al. 2012) future policy development in planning for affordable housing needs to support the growth of the NFP housing sector.

8.4 Degree of integration with other policies and programs

As noted above, NRAS is commonly used in conjunction with the various approaches discussed, with the NSW A-SEPP specifically aligning its definition of affordable housing and its required contribution to a 10-year period to match NRAS. Government funding was expected in almost all the case studies, most notably NSEBP, NRAS and HAF funding. In some cases a combination was needed. State governments have been providing some subsidy also, as noted above through the provision or discounting of land, or by taking on some risk or holding costs. State Housing Authorities have also provided additional funding to NFP providers, either through other grants, title transfers or through resourcing and capacity support. Local government subsidy is currently piecemeal and limited by budget constraints.

Flexibility in the Australian Government programs, which enable funds to be allocated to various stakeholders and various projects, has enabled their integration with the various approaches to planning for affordable housing discussed in Chapters 4–6. There were some instances where coordination was not possible and some where there remained question marks about overall efficiencies, but these did not preclude a reasonable level of integration in the case studies overall—stakeholders seemed, for the most part, to have managed to make projects work through funding cocktails. Of course, one major shortcoming of the Australian Government funding sources is the uncertainty around their ongoing availability. Again, as demonstrated by the English experience, embedding affordable housing requirements within the planning and

development framework becomes increasingly important when other policy and funding settings are unclear (Crook & Monk 2011).

8.5 Lessons learned and policy implications

This report has highlighted both the strengths and weaknesses of the approaches to planning for affordable housing being applied in Qld, SA and NSW, in the context of international experience. Planning gain has been identified as, at best, only partly providing the necessary funding for affordable housing, and it has been shown that in establishing a policy and legislative framework for affordable housing inclusion, a range of different levers may be needed at the local level, from housing supply levers, to barrier reduction strategies, incentives and mandatory requirements. There remain a number of clear roles for government, even in a model where affordable housing is neither built nor managed by government itself. Some of these roles will be limited to the short or medium term; necessary while other stakeholders build capacity to take them over. Others, however, will be ongoing and are unlikely to be negated through market change. Key government roles identified by the study are outlined below.

Land agent and facilitator

The complexity of many urban renewal projects will continue to make them less attractive to the private sector, at least compared to tried, tested and understood development on the fringe or in straightforward infill sites. The additional government requirement of delivering affordable housing will only exacerbate this. As such, there is a clear role for governments as facilitators of urban renewal. This is something that appears to be increasingly acknowledged with moves nationwide to establish a greater role for government land development agencies in facilitating and delivering urban renewal projects, often through involvement in land assembly, disposal and infrastructure installation. This sees governments take a more positive role in the planning and development process, often with a clear emphasis on housing supply and affordability. In many jurisdictions, there is potential to extend the affordability objectives of government land development agencies to include a more explicit affordable housing charter. It is important to recognise, however, that government land development agencies will typically operate only on the largest and most complex sites, making alternative mechanisms for smaller infill sites necessary.

A key lesson from the research is that, more than anything else, developers want certainty and efficiency from the planning system; what they seek is a system that minimises planning delays and provides them with confidence that a given development proposal can be quickly approved and delivered, so long as it meets pre-specified planning criteria. Governments can make urban renewal sites more attractive to developers where they can provide planning certainty. Planning efficiencies can be achieved through formal mechanisms such as over-arching policies and requirements, statutory approval timeframes and transparent procedures, or through informal pre-application discussions and front-loaded community consultation processes. The ULDA has successfully used a combination of these on its sites.

Communicator and educator

In all cases, there will be a need for governments to fully and genuinely engage all stakeholders in the development and implementation of new approaches to planning for affordable housing, especially where they are directly affected. Local governments, developers and NFP providers need to understand the proposed development model and support it, especially where they are expected either to use it or implement it. The wider community also needs to be better informed not just about why affordable

housing is needed in their area and how and where it is going to be delivered, but also about what affordable housing actually is; there is a widespread perception that affordable housing means public housing but this is not the case. If approaches to planning for affordable housing are to gain broad acceptance and become established and productive over the long term, stakeholder support, understanding and acceptance will be essential.

Risk taker

The incorporation of affordable housing in renewal projects, particularly where that housing is not to be delivered through the open market and is targeted to high needs groups, often remains unappealing to private developers, either because it reduces their profit margins directly, or because the association of a project with 'affordable housing' indirectly lowers the market price for the remainder of dwellings. The latter concern caused one developer in Queensland who initially participated in this study to withdraw. South Australia has successfully undertaken demonstration projects to deliver affordable housing in different market contexts and built forms that achieve the 15 per cent target, and will increasingly establish JVs on government-owned renewal sites for this purpose. This demonstration role will continue to be an important one for governments to assume, at least until non-governmental sectors have built capacity in delivering such projects. Joint ventures or similar projects where government is able to take some of the risk (e.g through use of government-owned land) in an untested model can also help get private-sector led developments across the line.

Provider of subsidy

The international literature reviewed and our primary case study research suggest that planning mechanisms to secure affordable housing are generally complementing, rather than undermining overall attempts to facilitate the delivery of new housing supply during urban renewal processes. However, the feasibility scenarios tested in a series of different market locations suggest that such outcomes will remain contingent on the availability of other resources to meet the 'subsidy gap' between what is able to be funded by planning 'gain' and delivered to the market at a price affordable to particular target groups. As noted above, for high needs housing, there will be an ongoing need for government subsidy. Similarly, there will always be some housing markets where planning control windfalls are not sufficient to cross-subsidise the delivery of affordable housing. Furthermore, in the short term, while land values adjust to the lower returns of development projects that include a contribution of affordable housing, some additional government subsidy will be needed. Weening non-governmental developers off these subsidies has been discussed in other jurisdictions such as the UK, where there is a more established and long-standing use of planning mechanisms to deliver affordable housing. As the Australian policies are at early stages, though, it is not a discussion that should be considered here in the short–medium-term.

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