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URBAN RENEWAL: A NEW ROLE FOR NEW HOUSING PROVIDERS IN CREATING SUSTAINABLE COMMUNITIES?

The stressed middle suburbs – new problems need new solutions

The post-war suburbs of Australia's cities, built between the 1940s and the 1960s, represent the next big urban policy challenge. Arguably, they also represent the next big housing policy challenge. Wedged between the gentrified and revitalised inner cities and the newer and increasingly up-market post-1970 outer suburbs, many of these areas are in decline. Most importantly, the housing in these areas is failing, both physically and socially. Recent research has shown how the nexus of disadvantage has shifted from the older inner cities to the middle suburban suburbs over the last thirty years (Randolph and Holloway, 2004). As a result social disadvantage is building up in these suburbs. If social housing is to have a future into the 21st Century, then it will be in tackling the mounting problems in these aging post-war suburbs that it will need to make its mark.

What are we talking about? Think of Canterbury-Bankstown, Auburn and Fairfield in Sydney, or Brimbank, Darebin and Dandenong in Melbourne, suburbs that were developed in the first major post-war, low density sprawl of our biggest cities and are now reaching the end of their initial life cycle. Importantly, they are home to many of the newer migrant populations of our cities, as well as many of the most disadvantaged. And little of the housing stock is rented from a public landlord. These are areas of private housing, but they have socio-economic indicators equally as low as those for public housing estates that have so far attracted all the attention.

These are not your typical inner city areas that were for so long the location of much of the worst housing, now banished by the gentrifiers and designer flat market. The housing here is lower in density (its the domain of the quarter acre block), but much of it is either of poor quality or simply no longer of a standard that is appropriate to modern housing needs. The 'fibro' belt in Sydney and the neighbourhoods of weatherboard in Melbourne are typical of these kinds of areas. Much of it is in the form of single family dwellings, increasingly inappropriate for modern housing needs in the form of one and two person households and it makes poor use of urban space. And much of the older stock is now poorly maintained or in increasingly poor state of repair. Older home owners, often of low fixed pensions, find it difficult to do the necessary maintenance and improvements. Worse still is the property that has passed in to the private rental market where there are no incentives whatever for regular repairs or upgrades. At least the older homeowners keep their gardens in good condition. Being located in suburbs with few obvious urban attractions with little immediate heritage value (although this is changing), gentrification is not on the horizon, as yet. The communities here have at least that to be thankful for.

In some areas, and in Sydney particularly, the onset of urban consolidation since the 1960s has turned strips of these suburbs into areas that have attracted those with least choice in the housing market. Ubiquitous three story walk up flats represent the most intractable problem – think brick and concrete bunkers on gun-barrel blocks. In multiple ownership, heavily dominated by low value rental or marginal ownership, often in poor

locations (despite being zoned near rail stations and town centres) and with high proportions of the most recent migrant arrivals, these areas are virtually impervious to the social interventions that are increasingly targeted at them. But paradoxically, this low value rental housing is still unaffordable to many who live there. Their incomes are simply too low.

Housing lies at the heart of building sustainable communities

The key point to stress is that the concentrations of lower income, higher unemployment and poor social outcomes in these middle suburban areas are not there by chance. Its not difficult to work it out: put simply, the housing market puts them there. Just as the concentrations of disadvantage on public housing estates are a function of allocations systems that target assistance to only the most needy, so the private housing market works to put those with least choice together in the least valued housing stock. That's why, 60 years ago, public housing was created to address the problems of the inner city slums. Same process, just a different place and time. However, one key difference, of course, is that government is no longer interested in recognising poor housing outcomes as a key driver of the problem.

This is not to say housing causes poverty (although exclusion from property asset ownership is becoming a major component of the new social divide). But it is to say that housing markets act to perpetuate the conditions in which disadvantage is generated. If tenure diversification and social mix are seen to be the salvation for breaking the concentrations of disadvantage and stigma on our larger public housing estates, why does government ignore the same problem, and the same solution, in private housing areas?

These areas are not static, of course. The high proportion of private rental means significant proportions of the population, often those with the least choice or under most financial pressure, 'churn' through the housing stock, a process accelerated by short term leases. A recent survey in these areas in western Sydney by the author showed that nine in ten households renting had moved into their homes in the previous five years. Many of them are families with school age children.

Rapidly churning populations are central to understanding the difficulties of building community sustainability in these areas. Much rhetoric is spoken by well meaning government agencies about building stable or stronger communities here. While considerable federal and state funding is expended on social interventions to address some of the more obvious social expressions of disadvantage these areas suffer from – early interventions programs, youth employment programs, higher policing expenditures, unemployment and training initiatives, migrant assistance, urban amenity improvements, and so on – few of these interventions actually recognise the root cause of the concentrations, namely the operation of the housing market.

The housing market is critical to the problem on three levels. At the level of the individual household, churning in the private rental sector impairs the development of community sustainability. But without a stable home, households cannot put down roots or have the time to get to grips with their problems. That's why so many of the households in these areas are on the public housing waiting list – they want the rental housing merry-go-round to stop. With high levels of welfare dependency, the whole

process is facilitated by Commonwealth Rent Assistance. Surely we are getting a very poor return for the Federal dollars spent on these outcomes?

Secondly, the market operates to reinforce these concentrations over time. When a household improves its circumstances sufficiently to move to a better home, it usually moves out of the area. This is seen as a success. But the outcome in terms of community sustainability is a negative. Despite significant social expenditures in the area, all that happens is that those who are lucky or diligent enough to improve their position move away and are replaced by others in as bad or worse situations. Census migration data for these areas proves it conclusively – the better off move out to more distant suburbs, while those on even lower incomes move in to replace them.

Thirdly, the housing stock in these areas is among the worst we have: poor design quality, poor building materials (especially asbestos), poor insulation, poor water and energy conservation standards and simply poor amenity for today's standards. In the past, concerns over the effects on personal wellbeing from poor housing conditions lay at the heart of the social housing movement. The post-war boom, and the social investment in new housing for both sale and rent that accompanied it, made a sustained impact on housing conditions for many Australians. Governments led this trend. But we have forgotten the lessons from the past. Today government thinks the problem is over and we can rely on the market to deliver the solutions from now on. But in these highly disadvantaged areas, it is patently not doing this. Rather, the market is now re-creating the problem, as it always will.

It's not all bleak news, of course. Beyond those areas being worked over by the urban consolidators, improvement often takes the form of the "knock-over" – the replacement of a fibro house with a much larger single family house (called 'Monster Houses' in a comparable process in Vancouver). This is often undertaken by upwardly mobile migrant households whose strong local connectivity with their communities means they do not join the more typical trek to the McMansions in the new outer suburbs for those who manage to make good. Strong ties of ethnicity and faith are often the major forces that bind these otherwise disadvantaged communities together, and offer hope for an organic, locally driven revival of these neighbourhoods. And not all the new private investment in some of these areas leads to poor outcomes. The development of medium density infill of villas and town housing can add variety in housing choice, especially for older people trading in their older houses, single working parents or first home buyers.

Implications for social housing provision

So what does all this mean for social housing policy? We live an era where public housing is struggling to make its own ends meet and is often now seeking to disinvest from its most problematic areas through policies of redevelopment and tenure mix. Federal government sees the solution for housing affordability in a revival of first home ownership through shared ownership and start-up grants, nothing more. The reform of the Rent Assistance system is unlikely in the foreseeable future. State governments have so far only just begun to recognise the issue in some cases. In New South Wales the draft Metro Strategy has foreshadowed a new focus on urban renewal, although the proposals so far appear to be little more than a desire to put more blocks of flats around train stations, hardly a solution to long term housing decline beyond the town centres.

Overseas experience shows that with judicious intervention and targeted subsidies, community renewal in disadvantaged private housing markets can be assisted through properly funded and planned affordable housing investment programs. But the vehicles to generate the changes are unlikely to be state housing authorities. Community Development Corporations (CDPs) in the United States have made significant inroads in some distressed urban areas, especially in the derelict inner city areas that have long since lost their populations and economic vitality, leaving only the most disadvantaged behind, usually compounded by racial inequalities. Housing associations and other arms-length providers are the preferred vehicles in the United Kingdom, helping to turn even the worst housing areas into more desirable areas while maintaining affordable housing.

The lessons are clear. Firstly, locally based and independent non-profit agencies work best at addressing housing problems in a complex and fragmented housing market. They can avoid the bureaucratic stasis that currently grips our public housing providers, beset by financial crises and stymied by political control. More importantly, perhaps, the non-profits overseas have been able to mix public subsidies and private investment in a way public housing providers cannot. Low income housing tax credits in the US have fuelled the CDP boom, assisted by Fannie May as a public interest mortgage underwriter. In the UK straightforward capital grants have been successfully mixed with bank loans to fund investment – over £20bn to date. It's not difficult to see comparable approaches being developed here, given the political will. The case for a properly supported non-profit and independent affordable housing sector is compelling, not just on the grounds of diversity, innovation and good practice, but most importantly to provide a vehicle to assist in the renewal of communities where social disadvantage is piling up

The second lesson is that we would need a flexible interpretation of what affordable housing is – to include market and sub-market rent and sales as well as standard subsidized housing, but all provided on a non-profit basis. A key component of these communities are older people, perhaps trapped in their decaying housing and unable to move to local housing options suitable to their needs. They have an asset, but it won't buy them an appropriate solution to their housing needs. Another key group are the working poor, who are excluded from public housing and increasingly excluded from high cost home ownership options. Singles and working lone parents are also target populations. In other words, interventions in housing provision in these areas should provide a range of financial entry levels and housing product to meet differing levels of needs, and with a range of subsidy levels.

The latter issue is the most intractable one, of course. These kinds of intervention will require government of some kind to underwrite the process, delivered through capital subsidies, taxation subsidies or income subsidies, or preferable a judicious mix of all three. The planning system can also offer some important opportunities, with targeted development and betterment levies offering funding options and incentives. Land use zoning frameworks need to be revised to provide councils with much greater positive control over the outcomes they want, backed by statutorily binding local community plans. Incentives for landlords to improve their property could also be important, assisting them to deliver better housing, but without raising rents. For example, taxation reform should allow landlords to negatively gear or claim tax credits only if can show

they have re-invested in the upkeep of their property, while improvement grants could be offered that would be matched by their own investment.

What are the policy options?

So what might a framework for renewing our most disadvantaged urban communities look like? It will need a government who wants to make a change, of course. But putting that issue to one side, it will need a coming together of a range of policy areas – housing, planning and integrated social interventions. Let's focus in this case on the roles of housing and planning.

In order to address these problems facing these 'stressed' communities, we need to radically rethink our approach to planning and intervention for these kinds of areas. A key issue will be how to stimulate reinvestment in lower value areas. There is no profit bonanza to be had here, at least not on the scale of other parts of the city. Gentrification is not an option, and in any event would lead to displacement of the very communities that need assistance. Moreover, renewal in these areas is likely to be higher risk, more protracted, and take place over a long time span. If we need private sector participation, how can the risk be shared and investment produce a return without producing poor quality outcomes. And what kind of development partners would be interested in doing the work?

Given that many households leave these areas for new or higher value housing options elsewhere, then there could be a local market for middle income housing which would help bind the community, slow the turnover of population, and improve the housing stock at the same time. It is only by arresting the exodus to the aspirational fringe suburbs that mixed income communities can be retained in these locations.

To achieve integrated renewal strategies we will need to link the development of new market priced and affordable housing options – through interventions to replace the poor quality housing stock or to assist landlords and home owners to improve their properties – with active planning policies that target declining areas to encourage better quality housing and amenity improvements and that offer incentives for this kind of activity.

But how would such a renewal program be delivered? I suggest that at least five components would be needed to effectively launch integrated local solutions for these stressed middle suburbs.

Firstly, we need to develop integrated **Local Renewal Strategies** as part of the local planning process in areas targeted as at risk of increased social disadvantage. These Strategies would link together both land use and social/economic interventions as part of an overall approach to tackling the integrated issues of poor housing, poor local amenity, poor social outcomes and poor access to jobs and services that characterize these areas.

Secondly, we need to explore the potential for **Renewal Area Masterplans**. Master planning is deemed appropriate for new suburbs and for the revitalization of older industrial areas and town centers. So why shouldn't councils develop integrated masterplans to guide the redevelopment of declining residential areas, with the objectives of achieving more balanced communities and approaches to achieve these, backed by

appropriate planning tools? Most importantly, local government needs to be much more proactive in determining the kinds of communities it wants in its areas, engaging with the existing community to develop a planning strategy to achieve this and then inviting the public or private sectors to offer options to achieve these outcomes. For example, an agreed definition of what the affordable housing mix should be in a renewal area should be set out by the local council in the planning approval for the site or more generally as a local environmental plan provision.

Thirdly, we need a new form of local agency to bring resources and actors together to achieve these preferred outcomes. Bureaucratic state agencies, such as those that deliver public housing and social services in Australia, are not well suited to deliver integrated and flexible local outcomes. Local government may lack the resources at present to take on the task. To fill the gap we should consider developing local **Urban Renewal Corporations or Trusts** charged with bringing forward integrated plans for these areas. These would be non-profit, locally constituted and controlled, and arms-length from government, but suitably regulated and publicly accountable. They would act at the local level to deliver local outcomes, working with local community housing providers, government and the private sector to implement renewal masterplans. They would need appropriate powers to allow strategic site assembly and other strategic interventions in line with the local masterplan.

Fourthly, the issue of resources will be critical. What funding arrangement would be needed to leverage both public and private funds into these kinds of areas and how much public resourcing would we need? There will almost certainly need to be public investment, but it should be possible to work in partnership with private sector interests to bring about change. Some form of **Local Renewal Fund** funded by state or federal government will need to be costed in to assist in leveraging other investment and, in effect, sharing the risk with the private and non-government sectors. At present, considerable public expenditure through grant programs and other interventions flow to these areas, but these are not coordinated and rarely act to support or add value to each other. These could form the basis of such a fund.

Lastly, and critically, we need to develop effective **Affordable Housing Strategies** with appropriate funding mechanisms to intervene in the housing markets and provide at least some support for new affordable housing supply to replace the rapidly churning private rental market. Developer levies and local rates levies could be targeted on owners and investors to improve the standard of housing conditions.

Conclusions

So what chance an affordable housing driven solution to revitalising and renewing these declining middle suburban neighbourhoods? It may sound like a pipe dream, but it's a reality in other places. Why not here? We need governments with the imagination to understand that problems these areas face are not immutable, and importantly, that the market is never going to solve these problems, only make them worse. We need social housing providers with the imagination to make the models work and take the risk to get

on and implement them. And we need the private sector – funders, property owners and developers – to realise they can play a part and get a realistic return for their efforts.

While we are nowhere near developing a coordinated housing and planning policy response to the growing problems of the stressed middle suburbs at present, we need to begin to develop the tools. The building blocks are already here. If social housing is to continue to be relevant in the future, it is to these kinds of tasks that it needs to be redirected.