



Final Report

New directions in planning for affordable housing: Australian and international evidence and implications

authored by

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ACRONYMS

ABS	Australian Bureau of Statistics
ARCH	A Regional Coalition for Housing (US)
BRA	Boston Redevelopment Authority (US)
CSHA	Commonwealth State Housing Agreement (Aus)
DA	Development Application (Aus)
EPAA	Environmental Planning and Assessment Act (NSW)
FHOG	First Home Owner's Grant (Aus)
GLA	Greater London Authority (UK)
GMA	Washington State Growth Management Act (US)
HLGPM	Housing Local Government and Planning Ministers (Aus)
HUD	Federal Department of Housing and Urban Development (US)
IPA	Integrated Planning Act (Queensland)
LEED	Leadership in Energy and Environmental Design (US)
LEP	Local Environment Plan (NSW)
LGA	Local Government Area (Aus)
LGHIP	Local Government Housing Initiatives Program (NSW)
PDA	Planning and Development Act (Ire)
PEA	Planning and Environment Act (Victoria)
PIP	Priority Infrastructure Plan (Queensland)
RSL	Registered Social Landlord (UK)
SAAHT	South Australian Affordable Housing Trust
SEPP	State Environmental Planning Policy (NSW)
UK	United Kingdom
US	United States of America

EXECUTIVE SUMMARY

Affordable housing has become a major focus of Australian public policy and discourse. Much of this discourse focuses on the capacity of the land use planning system to deliver sufficient new housing supply. Following two decades of declining funds for public housing development and new infrastructure provision, supply has been 'rediscovered' as a housing policy concern, not only in Australia but also in many other developed countries (Lawson and Milligan 2008, Bramley 2007).

The land use planning system plays a crucial role in delivering new housing supply in preferred locations. When this system is not working efficiently, delays in the release of residential development land, issuing planning approvals or facilitating infrastructure provision can all result in an undersupply of new housing relative to demand. It is also argued that fundamental planning policies – such as decisions to contain urban growth by limiting the release of land for new development – are inherently inconsistent with overall affordability goals (Beer *et al.* 2007, Moran 2006, White and Allmendinger 2003, Nelson *et al.* 2002). Containment may affect affordability if sufficient alternative development opportunities are not provided, or because the amenity affect of consolidation is positive and so enhances house prices (Bramley and Leishman 2005).

Within this context, there has been a major shift in policy interest towards the relationship between land use planning and housing market outcomes, particularly concerning affordability for low and moderate income earners (Leishman and Bramley 2005). In the United Kingdom and parts of the United States, policy responses have included overall approaches to enhancing the responsiveness of the planning system to housing demand, as well as more specific use of planning levers and tools to protect and create new affordable housing units (White and Allmendinger 2003). Dedicated government funding or incentives for affordable housing development often support these approaches.

The research presented in the final report examines this international practice in planning for housing affordability in general and affordable housing in particular. The report reviews examples from the United Kingdom and the United States, as well as Ireland, Canada and the Netherlands. The research emphasis is on understanding the ways in which the planning system is used to support affordable housing objectives in each of these nations, and on the potential to learn from and transfer this experience to the Australian context.

Framework for research

The research was guided by three questions relating to international experience, and three concerning Australian practice:

1. What is the rationale for and role of the land use planning systems in retaining and providing affordable housing in the United Kingdom, Ireland, The United States, Canada and the Netherlands?
2. Which planning approaches or interventions have been identified in these nations as having a potentially negative impact on the supply of affordable housing?
3. How do planning mechanisms intersect with the broader policy, legislative and financial frameworks supporting affordable housing supply in each international case study, and within which governance, spatial and housing market contexts are specific tools most effective?

4. To what extent do the different Australian States and Territories currently use their planning systems (at State, regional, and local levels) to promote affordable housing objectives, and what policy or legislative settings support or impede these goals?
5. What potential is there to better integrate property based covenants for affordable housing within the land use planning process in Australia?
6. Which of the international approaches considered, if any, are likely to be most suitable for application across the different Australian States and Territories, and what broader policy, legislative or financial interventions may be needed to support an expanded use of the planning system to promote affordable housing in Australia?

The research approach first involved a review of existing literature and practice on planning for affordable housing within Australia and within comparable international jurisdictions, as presented in the positioning paper for this project (Gurran *et al.* 2007). The second stage of the research, presented in this final report, involved international and Australian case study analyses of the ways that different levels of government may use the planning system to promote housing affordability overall and to create new opportunities for the development of new dedicated affordable housing supply.

National and international case studies

In selecting case studies to demonstrate the implementation of a spectrum of planning approaches to affordable housing, we have included a range of Australian and international examples. We also included a spread of different contexts likely to mediate the impact of particular planning approaches.

A total of 40 jurisdictions were selected: six nations (Australia, Canada, Ireland, the Netherlands, the United Kingdom and the USA); eight state or provincial jurisdictions (British Columbia (Canada), California, Massachusetts, Washington State (USA), and NSW, Queensland, South Australia and Victoria (Australia)); eight regions (the Greater Vancouver Region (Canada), the Boston Metropolitan Area and King County (USA), Rotterdam (the Netherlands), the Adelaide metropolitan area, Melbourne, the Greater Sydney Metropolitan Region, and South East Queensland (Australia)); and eighteen individual local authority jurisdictions (including the Greater London Authority).

Following the completion of the case studies, a series of matrices were constructed, designed to highlight the relative impact of potential planning measures in different market contexts. These were validated at a workshop of national policy officers held in November 2007.

Scales of intervention in planning for affordable housing

Throughout the research, we make a conceptual distinction between three scales of intervention in planning for affordable housing:

1. *System wide approaches* – At the level of the planning system, the rediscovery of housing supply as a crucial element in spatial and housing policy has led to a focus on greater efficiency in land release programs and in the regulatory settings and charges governing residential development.
2. *Methodological or procedural approaches* – At the intermediate level, methodological or procedural approaches improve the ways in which planning for affordable housing is carried out. The focus is on new processes for collaboration around housing responses at different levels of government, and new methodologies for determining housing need and supply targets. For example,

3. *Planning mechanisms or levers* – Within a local jurisdiction, planning mechanisms or levers can be used to achieve particular affordable housing outcomes. Examples include controls to protect low cost stock, regulation based incentives to promote low cost housing in the private market, or requirements to dedicate a proportion of development value for affordable housing programs.

Key findings of the study are summarised below, in relation to each of the research questions.

What is the rationale for and role of the land use planning systems in retaining and providing affordable housing in the United Kingdom, Ireland, the United States, Canada and the Netherlands?

In general terms, all of the national jurisdictions included in this study recognise housing affordability as critical to metropolitan and regional economic prosperity (particularly the provision of workforce housing), social cohesion and equity (for instance, diverse and affordable housing opportunities support existing social networks), and environmental quality (reducing pollution and land conversion arising from a job housing mismatch). As such, housing affordability is arguably an implicit normative goal of spatial planning policy across all jurisdictions reviewed.

Our literature review and grounded case study analyses also point to five more specific policy arguments for addressing housing affordability through the planning system. These are:

- The need to remedy planning system deficiencies undermining housing affordability, which might include an insufficient supply of residential development opportunities, uncertainty, complexities or delays, excessive fees or charges;
- The need to minimise and offset the impact of planning and residential development processes, such as urban renewal or redevelopment within metropolitan and regional contexts, upon the availability of existing low cost housing;
- The need for planning systems to provide for and facilitate greater housing diversity in the allocation of land uses and in specifying design codes, to achieve social mix 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); and, in some cases,
- 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.

The relative importance of each of these themes varies across the jurisdictions reviewed. Each supports a particular role for the planning system in relation to the overall goal of housing affordability, and/or the specific creation of new affordable housing units.

Which planning approaches or interventions have been identified in these nations as having a potentially negative impact on the supply of affordable housing?

Across all of the jurisdictions reviewed, including Australia, there is concern about the potential impacts upon land supply and affordability of urban containment policies, particularly in metropolitan regions. However, it is clear from the review of cases presented here (especially the Greater London Authority and the case of Vancouver) that affordability goals in general, and dedicated affordable housing creation in particular, can be and are being pursued within a spatial planning context of urban containment.

There are specific planning tools to offset any impacts of planning decisions or approaches on the availability of affordable housing. Examples of approaches to mitigate or offset the impact upon low income households of otherwise important urban development processes and change include: the use of impact or linkage fees in the United States, to offset the impact of developments on affordable housing; the specification of 'no net loss' targets in the United Kingdom; and the use of protective measures to reduce redevelopment pressure on low cost housing forms in the United States, Canada and Australia.

How do planning mechanisms intersect with the broader policy, legislative and financial frameworks supporting affordable housing supply in each international case study, and within which governance, spatial and housing market contexts are specific tools most effective?

The ways in which planning mechanisms intersect with broader policy, legislative and financial frameworks for affordable housing supply differ across the international case studies. At one end of the spectrum are Ireland and the Netherlands, where the synergistic relationships between national housing and planning policy connect inclusionary planning requirements for new residential development areas with funding for social housing development and acquisition. In the United Kingdom, the strong national planning emphasis on affordable housing as a material consideration in plan making and development assessment supports clear targets for affordable housing inclusion. These planning requirements are generally supported by the availability of national funding for social housing development.

In the United States, where inclusionary zoning is used widely, targets of 10 to 15 per cent affordable housing inclusion are not directly linked to capital funding for affordable housing development. However, such targets are usually supported by the availability of planning bonuses (such as density increases) or concessions (like reduced fees). Many state and local jurisdictions with affordable housing strategies in place also dedicate their own resources or public land to support low income housing programs. Mandatory inclusionary requirements in the United States are also made more feasible by the existence of Federal and State tax incentives designed to stimulate development of housing for low income households (such as the Low Income Housing Tax Credit program).

By combining planning requirements for affordable housing with funding, subsidies or incentives, strong not for profit housing developers have emerged in the United States, the United Kingdom and the Netherlands, to provide a viable 'delivery infrastructure' for affordable housing that can be created or secured through the planning and development process.

Matching housing markets to planning mechanisms

Some planning interventions or mechanisms appear most effective within certain market contexts. Systemic planning process enhancements geared towards overall housing affordability do not presuppose particular governance, spatial, or market contexts. However, they will have the greatest impact in contexts where there has been a long term undersupply of new housing opportunities relative to demand.

Barrier removal strategies might be implemented by any level of government and will be effective in contexts where planning regulations preclude diverse and low cost housing forms. Protective mechanisms depend on strong legislative support and are important in high growth regions characterised by rising housing markets.

Incentive or concession schemes will be effective in contexts where land costs or building costs are high enough to generate a valuable bonus when prevailing controls are varied. Incentive approaches appear to work best when they are situated within a framework of national or central government policy for affordable housing, and when they are clearly supported by legislation.

Mandatory inclusionary housing schemes will have an impact within a high value market characterised by significant development activity and limited development opportunity. In such schemes, a proportion of the development is dedicated to affordable housing, either as an onsite contribution or a payment. By contrast, lower value markets – characterised by development activity and demand for housing, but more potential opportunities for growth – are likely to support affordable housing inclusionary targets that deliver dwellings that can be purchased at lower cost for social housing providers or low and moderate income households.

To what extent do the different Australian States and Territories currently use their planning systems (at State, regional, and local levels) to promote affordable housing objectives, and what policy or legislative settings support or impede these goals?

Overall planning system reviews and reforms are being undertaken across all of the Australian jurisdictions to reduce delays, complexity, and red tape which may indirectly affect affordability. However, there is limited direct coverage of affordable housing goals in state planning legislation.

New state planning policies relating to housing and housing affordability have been introduced in Queensland, South Australia and Victoria over the past two years. NSW meanwhile has a series of State policies relevant to low cost housing retention and promotion dating from the late 1980s. Metropolitan plans for all State capital cities include affordable housing or related goals, but generally lack defined or concrete measures to implement them.

Finally, there has been sporadic and localised implementation of planning mechanisms for affordable housing in Australia. These range from inclusionary zoning schemes (in selected redevelopment areas) and planning agreements, particularly around redevelopment areas, to planning incentives and concessions (inner Sydney and Brisbane), to protective mechanisms and social impact provisions (Brisbane, metropolitan and regional NSW).

Limiting factors

With the possible exception of South Australia, the lack of a strong central government policy in all of the Australian cases reviewed was seen as a major limiting factor in planning for affordable housing.

The Australian experience contrasts to international practice. The few specific planning mechanisms for affordable housing that have been implemented within local jurisdictions in Australia have been largely divorced from broader national or state housing policy. As a likely consequence, Australia lacks a strong not for profit or for profit affordable housing development sector. A variety of planning levers for affordable housing are now used within the high value metropolitan context of Sydney (i.e. planning agreements for affordable housing, protective mechanisms, incentives, and limited inclusionary schemes), and to a lesser degree, the other Australian capitals. However, these approaches operate in isolation to capital funding for affordable (social) housing development. In the absence of financial incentive schemes to encourage low cost housing development (as opposed to the demand side subsidies such as Australia's First Home Owner's Grant, and the Commonwealth Rental Assistance Scheme), it is not surprising that the affordable housing planning approaches that do exist in Australia operate in isolation from other government policies or funding schemes.

What potential is there to better integrate property based covenants for affordable housing within the land use planning process in Australia?

A sub theme of this research concerned the potential to make property based covenants for affordable housing better integrated with the land use planning process in Australia. Statutory covenants run with the title of a property or development, and so are separate from the planning process. However, covenants may influence many aspects of a development, from the design of housing to the nature of tenure or occupation. In this research, the focus was on understanding how statutory covenants may be used to support the implementation of affordable housing secured through the planning process. The research shows that statutory covenants may provide a vehicle for confirming agreements about the management of housing developed under planning concessions for affordable housing, within a well developed legal framework that is tailored to the specifics of the jurisdiction and development itself. Covenants may provide a flexible tool where there is a need to regulate agreements about the ongoing use or management of housing that is created through planning related subsidies or concessions – for instance, affordable home purchase schemes where there is a requirement to implement a restriction on resale or transfer.

Which of the international approaches considered are likely to be more suitable for applications across the different Australian States and Territories, and what broader policy, legislative or financial interventions may be needed to support an expanded use of the planning system to promote affordable housing in Australia?

Many of the approaches used internationally may have potential for the diversity of local circumstances existing across the Australian States and Territories. Planning interventions that seek to secure or facilitate new supplies of land for housing development are likely to enhance housing affordability, particularly in locations associated with high demand. Similarly, approaches that enhance opportunities for the development of different housing forms, by dismantling existing barriers to housing diversity, are also indicated across markets of moderate and high demand. Other systemic measures to enhance the overall responsiveness of the residential development process include incentives and penalties for land development, which are likely to be of particular importance in outer and regional growth areas.

Protective mechanisms are indicated in Australia's high value inner city areas, which are subject to gentrification, and in outer or regional growth areas where temporary housing forms like caravan parks may be at risk of redevelopment.

In an Australian context, incentives will create the most value within inner city or very high value coastal areas. Similarly, mandatory requirements for affordable housing contributions (either negotiated or as a fixed amount) will usually have the greatest yield in inner city locations and in outer fringe release areas where there is significant value uplift associated with a rezoning. In middle ring areas or Greenfield areas where the gap between affordable home purchase costs and actual market value is relatively small, there is an opportunity to require a significant proportion of new housing to be made available for low and moderate income home purchasers, or for allocation by social housing providers.

Broader policy, legislative or financial interventions that may be needed to support an expanded use of the planning system to promote affordable housing in Australia

Two major elements separate Australia from the majority of international jurisdictions reviewed in this study. The first is the lack of any national policy for housing affordability in general, and new affordable housing creation in particular. The second element that is distinctly absent from Australian practice is a policy and practice linkage between planning objectives or requirements and existing funding or incentives for affordable housing development. Irrespective of the total amount of capital funding for housing assistance in Australia, there is potential to maximise the leverage of this investment by a stronger use of the planning system to secure land for affordable housing development.

1 INTRODUCTION: THE SHRINKING GEOGRAPHY OF HOUSING OPPORTUNITY

Affordable housing is now an issue of widespread national debate. Sustained television, radio, and print media reportage reflects growing public concern about the availability of affordably priced housing that lower and middle income Australians can rent or buy, particularly in capital cities, popular coastal destinations, and areas affected by the resource boom. In 2002/03, 1.2 million Australian households paid more than 30 per cent of their gross income on housing (Yates and Milligan *cum al.* 2007). This was due to tightening of public or social housing supply, reduced availability of low cost private rental housing, and declining access to home ownership, even in formerly affordable suburban areas (Milligan and Phibbs *cum al.* 2007, Yates 2007). This constrained geography of housing opportunity for renters, and those buying or seeking to buy a home, raises concerns about socio-spatial inequality and polarisation, as well as broader macro economic and labour market impacts (Berry 2006a & b, Yates *et al.* 2004).

Declining housing affordability in Australia has a distinct spatial component; that is, the problems are markedly worse in some regions than in others. As a result, the role of the land use planning system in delivering an adequate and timely supply of new housing opportunities is under intense scrutiny. There is also increased policy interest in using specific planning levers or interventions to promote or secure specific affordable housing opportunities during residential development and redevelopment processes. For instance, the Framework for National Action on Affordable Housing articulated by Australian Housing, Local Government and Planning Ministers includes a strong commitment to enhance the overall performance of the planning system and its capacity to deliver an appropriate supply and range of housing, as well as specific planning approaches to secure new dedicated affordable housing units (HLGPM 2005).

In developing such approaches there are lessons to be learned from existing experience and practice in planning for affordable housing, both internationally and within Australia. For instance, nations such as the United Kingdom, the Netherlands and parts of the United States have long and distinct traditions of planning for affordable housing. More recently, countries like Ireland and Canada have developed new approaches to affordable housing that may have resonance in the Australian context. At the same time, within some Australian local government areas there has been over a decade of experience in using the planning system to retain and generate new rental housing for low income households (Gurran 2003). Port Philip in Victoria has operated an affordable housing program since the late 1980s, supported by its local planning framework; Waverley Council in NSW has offered a density bonus in return for affordable housing contributions since the mid 1990s; and Brisbane City Council in Queensland has undertaken a number of activities to support affordable housing development through its planning framework since the year 2000 (Milligan *et al.* 2004). In the past five years, new planning initiatives for affordable housing have emerged in South Australia, inner metropolitan Melbourne, the Gold Coast and parts of Sydney.

Despite this steady development of practice, both in Australia and internationally, there is a lack of comparative research assessing the outcomes of these models. This may be due to the special challenges associated with comparative international housing research generally, and in particular, the different legal structures associated with land use planning systems. However, it is likely that cross-fertilisation of ideas and models is occurring in practice. Within Australia itself, the emergence of new

planning models for affordable housing suggests informal exposure to ideas and mechanisms that have been used in England, the United States or other parts of Australia. Yet to date this work has not been the subject of formal or systematic review.

The research contained in this report addresses this gap. This report is the final output of a project for the Australian and Urban Housing Research Institute (AHURI) on international practice in planning for affordable housing and potential applications for Australia. It follows a positioning paper (Gurran *et al.* 2007) that reviewed existing research on the role of the legislative planning system in the provision of affordable housing within Australia and internationally, and established the methodological framework for the empirical component of the study presented in this final report.

1.1 Aims and questions of the research

The key aim of this research is to explore how Australia's urban planning systems can better contribute to affordable housing outcomes, through a comparative review of international practice. The following questions have guided the research, focusing on international experience and Australian practice:

1.1.1 International experience in planning for affordable housing

1. What is the rationale for and role of the land use planning systems in retaining and providing affordable housing in the United Kingdom, Ireland, The United States, Canada and the Netherlands?
2. Which planning approaches or interventions have been identified in these nations as having a potentially negative impact on the supply of affordable housing?
3. How do planning mechanisms intersect with the broader policy, legislative and financial frameworks supporting affordable housing supply in each international case study, and within which governance, spatial and housing market contexts are specific tools most effective?

1.1.2 Australian practice and potential enhancements

4. To what extent do the different Australian States and Territories currently use their planning systems (at state, regional, and local levels) to promote affordable housing objectives, and what policy or legislative settings support or impede these goals?
5. What potential is there to better integrate property based covenants for affordable housing within the land use planning process in Australia?
6. Which of the international approaches considered, if any, are likely to be most suitable for application across the different Australian States and Territories, and what broader policy, legislative or financial interventions may be needed to support an expanded use of the planning system to promote affordable housing in Australia?

1.2 Research approach

The research approach for this project was defined by three main stages:

- A review of existing research, literature and practice on planning for affordable housing within Australia and within comparable international jurisdictions;
- Case study examination of international and Australian jurisdictions on the ways in which the planning system is used to promote or create affordable housing; and,

- Comparative analysis of planning approaches and planning options suitable for implementation under current legislative arrangements in each Australian jurisdiction, as well as priorities for broader policy, legislative, and financial mechanisms to support the use of the planning system for affordable housing in Australia.

The positioning paper for this project reviewed the literature on planning for affordable housing, including the role of the land use planning system in relation to housing production, costs and affordability (Gurran *et al.* 2007). That review focused on the North America (primarily the United States) and the United Kingdom (primarily England), both of which have relatively long histories of practice and research on planning for affordable housing spanning three decades. It also included the Netherlands, which has well-established practices of actively planning for affordable housing, and Ireland, where new attempts to achieve a greater supply of affordable housing have resulted in significant changes to the planning system and the role of local government (Lawson and Milligan 2008).

The positioning paper also reviewed research and demonstrated practice in Australia, with a particular focus on four states: New South Wales, Queensland, South Australia and Victoria. Each of these states has begun to develop new policy and/or planning approaches for affordable housing at state or metropolitan levels.

1.2.1 *Selecting the case studies*

In selecting case studies for more detailed empirical investigation of the use of the planning system for affordable housing, we sought to meet the following criteria:

- A spread of Australian and international examples to demonstrate the implementation of a spectrum of planning approaches to protect, promote or produce affordable housing;
- A spread of different contexts likely to affect the suitability of particular planning approaches, such as particular geographies (e.g. inner metropolitan/outer metropolitan, regional or rural) or housing markets (e.g. high value/lower value market, high activity/low activity), and development scenarios (e.g. brownfield or greenfield sites).

Table 1.1 (over page) sets out the selected Australian and international cases in relation to these criteria. The numbering in Table 1.1 corresponds to the order in which cases appear in the report.

The approach to delineating cases for analysis provides an opportunity to examine policy and practice at different spatial planning scales. This reveals how central government policy for housing affordability supports, or is supported by, policy and practice at local or regional levels. For instance, the national example of the United Kingdom is examined at the national scale in relation to national planning legislation and housing policy, particularly with respect to England; and is also examined at the regional scale in relation to the Greater London Authority. Similarly, Ireland is examined at the national level and also at the level of local authority in the case of Galway. The Netherlands and the North American cases are all examined at national (U.S. and Canada), state or provincial, regional and city levels. Similarly, the

Australian cases are examined at national, State, metropolitan and local scales. This amounts to a total of 40 jurisdictions for analysis.¹

Most of the local cases selected combine more than one planning approach for affordable housing, so the principle mechanism used is highlighted in the table as a point of difference with the other cases. Each case provides an empirical basis for more critical and qualitative assessment of the merits of the different planning approaches (and combination of approaches). The cases enable a grounded examination of the implementation conditions and the success factors and/or constraints associated with each strategy, and provide the evidence base for assessing potential transfer of elements to Australian contexts.

Table 1.1: Case studies

<i>National / state jurisdiction</i>	<i>Cases</i>	<i>Key planning approach</i>	<i>Geography / market context</i>	<i>Development scenario</i>
Australia, NSW	1. Canada Bay Council	Negotiated agreement	Inner metropolitan, high value	Brownfield Site
Australia, NSW	2. Carlton United Brewery site (City of Sydney)	Mandatory contribution, negotiated	Inner city, high value	Brownfield site
Australia, NSW	3. Randwick City Council	Negotiated planning agreement	Inner metropolitan, high value market	Infill and brownfield site
Australia, NSW	4. Gosford City Council	Protecting existing sources of low cost housing stock	Regional/outer metropolitan	Greenfield sites
Australia, NSW	5. Byron Shire Council	Promoting housing diversity	Regional, variable market	Infill and greenfield sites
Australia, QLD	6. Brisbane City Council	Voluntary incentives, covenants for affordable housing	Mixed metropolitan market	Infill, brownfield/ greenfield sites
Australia, QLD	7. Gold Coast City Council	Voluntary incentives, Mechanisms to protect low cost housing stock	Mixed metropolitan market	Infill, brownfield/ greenfield sites
Australia, SA	8. St Balfours Bus Station, Adelaide City Council	Negotiated planning agreement (Master planning)	Metropolitan	Infill, brownfield/ greenfield
Australia, SA	9. Glenside Hospital, Burnside	Mandatory inclusionary requirement (govt. land)	Inner metropolitan, high value	Brownfield site

¹ In selecting the Australian cases we focused on examples of emerging practice, rather than established approaches that have been documented elsewhere. We expanded our initial selection to include an additional project in central Sydney (the former Carlton United Brewery site) and the case of Canada Bay in Sydney's inner west, as both offer insights into different aspects of practice and policy development in NSW. We also extended our selection of cases in South Australia to include two redevelopment sites: Cheltenham Racecourse in the City of Charles Sturt, and the Glenside Hospital in the City of Burnside. These cases offer examples of how the South Australian state affordable housing targets are being pursued on surplus government sites and in the context of a private redevelopment project, respectively.

<i>National / state jurisdiction</i>	<i>Cases</i>	<i>Key planning approach</i>	<i>Geography / market context</i>	<i>Development scenario</i>
Australia, SA	10. Cheltenham Racecourse, Charles Sturt	Mandatory inclusionary requirement	Inner metropolitan, medium-high value	Redevelopment site
Australia, Victoria	11. Port Phillip and Inner Melbourne Councils	Protecting existing stock, promoting diversity, negotiated planning agreements	Inner metropolitan, high value market	Infill and brownfield sites
US, Massachusetts	12. Boston	Overcoming local impediments to affordable housing Mandatory inclusionary zoning Regional targets	Metropolitan, high value market	Brownfield, infill sites
US, California	13. San Francisco	New methodology – regional approach to mixed tenure development Mandatory (inclusionary zoning) requirement	Metropolitan, high value markets	Brownfield sites
US, Washington	14. Seattle and King County	New methodology – suburban collaborative Incentives for affordable housing development	Gentrifying suburbs, small local government units	Brownfield sites
Canada, British Columbia	15. Vancouver	Mechanisms to protect low cost housing stock Negotiated agreements	Gentrifying inner areas; areas of high social disadvantage	Brownfield sites
UK	16. Greater London Authority	Mandatory (negotiated planning agreement)	Inner metropolitan, high value market	Brownfield sites
Ireland	17. Galway	Mandatory (20%) inclusionary mixed tenure requirement in new estates	High growth regional area	Greenfield
The Netherlands	18. Rotterdam and Barendrecht Municipality	New methodology – Regional coordination approach	Varied regional market	Infill, brownfield/ greenfield sites

Source: The Authors

Note: We also expanded the original list of international cases to include two additional local jurisdictions (Boston in the USA and Galway in Ireland), both of which demonstrate innovative approaches to including dedicated affordable housing within new development.

1.2.2 Case study approach

The case study research draws on the following sources of documentary evidence:

- the primary planning instrument or policy governing the approach;
- descriptive material (such as reports, minutes of meetings, descriptive information designed for members of the public);
- evaluative material (e.g. implementation statistics, data regarding the take up of scheme, and financial information where this is able to be supplied); and
- legislation, policy documents or other information to establish the broader context.

The focus was on following the design and implementation of each approach from the highest applicable level of policy and legislation through to its implementation at the local or site level.

As well as an analysis of primary legislation, policy, and planning instruments relating to each local or regional case, this component of the study included face to face and telephone interviews² with policy makers and planners (see Appendix for a list of interviewees in this project). Follow up information was provided by interviewees via email. In the case of the Netherlands, interviews with academic experts and a field visit in June 2007 also contributed to the analysis. The interviews addressed the historical development of the approaches used and the reasons for their development; evaluative measures of success; factors assisting or impeding the implementation of the approach/approaches; collaborative relationships with other local, regional, or state government or non government organisations; and connections with broader policy, legal, and or financial strategies to promote affordable housing.

Information for the Rotterdam case study was obtained from several sources. The broader policy context under which the initiatives in Rotterdam are occurring was drawn largely from previous research by one of the authors (Milligan 2003). This was supplemented and updated by interviews held with housing and planning academics at the Delft University of Technology in June 2006. The regional planning model being used in Rotterdam was examined in an interview with two planning officials from Stadsregio Rotterdam in June 2006. Information from this source was complemented by attendance at a presentation on Rotterdam's urban vision during the European Network of Housing Researchers' Conference held in Rotterdam in June 2007, and a field visit to the Barendrecht Municipality in the Rotterdam region, where municipal officials and the managing director of one of the local housing associations gave their views on the operation of the policy in their area.

In relation to the Australian cases, an analysis of relevant planning policy and legislation was undertaken on each selected jurisdiction (New South Wales, Queensland, South Australia and Victoria). This analysis highlights existing opportunities and practice in relation to planning for affordable housing, and establishes the policy and statutory framework surrounding the individual examples analysed. The primary analysis was contained in the positioning paper, but as this is a rapidly moving policy area, this final report has been reviewed to include developments that occurred between January 2007 and November 2007.

An analysis of the available evidence relating to the design, operation and outcomes of each local case study was also conducted. Structured interviews were held with housing policy and planning officers and local government representative

² With the exception of the case of Vancouver, where a site visit was undertaken by Doug Baker in June 2006, but no formal interview with the local planner was able to be scheduled due to availability constraints.

associations, to confirm documentary analysis and identify key barriers, issues, or opportunities to support enhanced use of planning system in each Australian jurisdiction.

Note that in presenting the results of the case study research in this final report, we focus on the salient features of each case in relation to our overall research questions, so the length and format of case study descriptions varies.

1.2.3 Matching planning mechanisms to housing market contexts

Following the completion of the case studies, the findings were analysed in response to each of the research questions. A series of matrices were then developed, highlighting the relative impact of potential planning levers in relation to different market contexts. The matrices were based on the review of literature and documented practice, as well as the empirical findings of the case studies presented in this report. After their development they were discussed in a workshop with a national working group of policy officers involved in progressing the National Framework for Affordable Housing (Commitment Two: Planning Mechanisms).

The purpose of the workshop, held at the offices of the NSW Department of Housing on 19 November 2007, was to facilitate additional expert views regarding the likely impact of the various planning measures in different implementation scenarios in Australia. The participants reviewed tables relating to the alternative impacts of each approach within each market setting. They were then asked their views on the overall approach, assessment of likely impact, effectiveness, and appropriateness against identified market settings. These views were then incorporated in a final review of the matrices and in the evaluative discussion on the selection of approaches (contained in Chapter 5 of this report).

1.2.4 Housing market typology for case study analysis

The literature suggests that certain risks and opportunities for affordable housing are associated with different market scenarios. These market differences affect both the need for a particular type of intervention and the likely effectiveness of particular strategies. In understanding different approaches to planning for affordable housing, and in selecting which approaches to use within a particular region or local area, it is important to be sensitive to these market variations.

Australia's housing market characteristics have distinct spatial patterns. For instance, our inner city areas tend to attract the highest house prices, whereas in other nations, such as the United States and the United Kingdom, the inner areas of large cities are often characterised by housing market decline. To enable generalisation across the international jurisdictions examined here, we use a broad typology of housing market characteristics, based on the following variables:

- Market value (i.e. 'high', 'medium' or 'low'), which if measured would correspond to housing price points across a geographical region.
- Development activity (i.e. 'high' indicates significant rates of new housing development or redevelopment; 'medium' indicates a moderate level of activity; while 'low' indicates activity stagnation or decline). This variable may arise from local market conditions or reflect broader macro economic trends.
- Development opportunity (i.e. 'high' indicates significant availability of housing development opportunities, as would be anticipated within a new release area or an area subject to high redevelopment; 'medium' suggests opportunities for consolidation, infill, and some new land release; and 'low' indicates that there are significant constraints to new housing development, either due to the established character of the area or because of environmental factors.

This typology provides a basis for analysing which planning strategies and measures have been used in particular market scenarios, across the different case studies.

Although an important variable is stage in the market cycle, i.e. whether the market is 'rising', 'falling' or 'stable', we were unable to account for this in a consistent way across the different case studies, given the time periods involved. However, an overall goal of planning levers for affordability is to reduce dramatic fluctuations in housing market cycles and to establish predictability over time. This means that seeking to adapt planning approaches to stages in market cycles may be counter productive.

To illustrate this typology in relation to typical spatial distribution in Australia, Table 1.2 (over page) matches each variable to descriptions of Australian metropolitan and non metropolitan regions ('inner city', 'middle ring', 'outer ring', 'growth area', 'regional'). We have used these descriptions in our final analysis of potential strategies to consider in different Australian contexts (Chapter 6).

Table 1.2: Regional housing market descriptors in Australia

<i>Market</i>	<i>Inner city</i>	<i>Middle ring</i>	<i>Outer ring</i>	<i>Growth area</i>	<i>Regional</i>
High value	●	○			
Medium value		●	○	●	●
Low value			●	○	○
High development activity				○	
Medium development activity	●		○	●	○
Low development activity			●		●
High development opportunity			○	●	●
Medium development opportunity		●	●		
Low development opportunity	●				

● Indicates strong incidence of the market characteristic

○ Indicates partial incidence of the market characteristic

Source: The Authors

1.3 Conceptual equivalence in comparative housing and planning research

One of the methodological challenges associated with this study was to establish a basis for comparison and potential transfer of practice across multiple international and Australian cases. Comparative research is valued in broad terms for extending knowledge and developing new ideas, as well as yielding a broader evidence base from which to evaluate arguments and possible courses of action (Golland and Oxley 2004). But how valid are the comparisons being made between jurisdictions and nations, let alone the conclusions drawn? To what extent is it possible to adopt approaches in one context that are being used effectively within another context, characterised by its own unique political and geographical terrain, history, culture and socio-economic composition, let alone the legal, institutional and administrative arrangements of governance and land use regulation? These contextual differences

in governance structures, policy orientation and institutional arrangements, together with the influence of local political, social, cultural and economic factors within which these operate, explain why experiences or models of one jurisdiction may not be directly transferable to another (Lawson and Milligan 2008).

One way of understanding and comparing practices and experiences between different countries or jurisdictions is to construct a basis for 'conceptual equivalence' in relation to key aspects of the process or governance structure being analysed (Golland and Oxley 2004, Milligan 2003). In this project we sought to establish conceptual equivalence in terms of the land use planning and residential development process. This was achieved by highlighting similarities and differences in relation to: the role of the state in land regulation; the spatial scale at which planning is carried out; and the relative significance of land use plans themselves (for instance, plans are binding in some nations but are guiding instruments in others, where decisions follow a detailed process of negotiation). Specific contextual factors that may also mediate the impact of a planning policy or strategy were also considered. For instance, urban densities and settlement networks, population and household growth rates, tenure mix and cultural norms (such as a preference for detached housing for home ownership), as well as wider demographic trends and economic cycles can all affect the conditions within which a particular type of intervention will be effective.

1.4 Defining housing affordability and affordable housing

In this research we conceptualise affordability in two ways. Firstly, 'housing affordability' can be understood as an overarching normative goal for spatial policy, i.e. cities and regions should provide a sufficient supply of appropriate housing in desired locations, of a design and cost that is consistent with population needs (Oxley 2004). The planning system has a crucial role to play in achieving this.

Secondly, we use the term 'affordable housing' to refer to the specific segment of housing supply that is affordable to people on low and moderate incomes, consistent with the following definition of affordable housing adopted by Australian Housing, Local Government and Planning Ministers in developing a Framework for National Action on Affordable Housing:

Affordable housing is housing which is affordable for low and moderate income households across home ownership, private rental as well as public rental tenures. (HLGPM 2005, p.1)

The benchmark for affordability is 25 to 30 per cent of the income of these target groups.

The planning system can also play an important role in facilitating the delivery of this specific housing type, using the range of specific planning levers and measures described in this research.

In Australia, much of the policy discourse on housing affordability and the planning system has focused on the perceived accessibility of home ownership (Beer *et al.* 2007). Here the emphasis is on ensuring that land supply and planning approvals processes facilitate timely residential development in response to demand. More recently, policy interest in Australia has shifted towards the potential for specific land use planning levers to preserve or create housing units that are affordable for low and moderate income households (e.g. Milligan *et al.* 2004, Williams 2005). There are many different models of financing and delivering such units. These range from traditional publicly funded social housing (owned publicly or privately through housing associations), to other forms of sub market and market housing for purchase or rent.

The term 'low cost' housing is often used interchangeably with affordable housing, but its meaning differs slightly. 'Low cost' housing tends to describe non subsidised private market housing that is accessible to low and moderate income households. In most cases, 'low cost' housing is rental accommodation and often associated with poor security of tenure. 'Low cost' may also refer to savings achieved through modest dwelling size or construction standards.

1.5 Scales of intervention in planning for affordability

The National Framework for Action on Housing Affordability recognises both the systemic impacts of planning on the availability and nature of housing supply, as well as the potential for specific planning mechanisms to provide new affordable housing stock:

The land use planning process can influence the supply and range of housing produced both in new development and redeveloping areas. Planning Ministers agree that planning and providing for affordable housing utilising planning mechanisms is a important contributor to sustainable communities based on the triple bottom line approach to sustainability, through providing economic, environmental and social improvements. (HLGPM 2005, p.5)

These are distinctly different scales or levels of intervention. The first addresses the overall performance of the planning system, in terms of its capacity to provide for an appropriate, timely, and well located supply of housing opportunities in response to community needs. If the planning system is not performing optimally, instability in housing markets is provoked. For instance, sudden shortages of housing relative to demand may arise, leading to house price inflation. There are many strategies that may be adopted to enhance the overall operation of the planning system and therefore contribute indirectly to housing affordability objectives, to the extent that planning system deficiencies exist.

Within the planning system itself, specific planning mechanisms or levers can be designed to deliver a particular affordable housing goal – for example, to protect existing sources of low cost housing through controls on demolition or redevelopment, or to secure new dedicated affordable housing supply by requiring contributions through the development process. Much of the existing research and literature on planning for affordable housing has focused on these approaches – for instance, the use of 'inclusionary zoning' schemes (where a proportion of all development within a defined area or zone must contribute to affordable housing). At an intermediate level, it is also possible to identify particular processes or methodologies that can strengthen the way planning for affordable housing is carried out. For instance, these approaches could include processes for identifying and collaborating on housing needs across local planning jurisdictions.

In summary, we identify opportunities to better promote affordable housing outcomes through planning, at the following three scales:

1. *System wide approaches* to enhance the overall capacity of the planning system to promote affordable housing goals. These approaches are likely to be generic and most easily transferable across jurisdictions.
2. *Methodological or procedural approaches* that improve the way in which planning for affordable housing is carried out (for instance, methods for calculating development contributions, diversified models of housing assistance and management, or models of regional collaboration). As these approaches often operate above or across the statutory planning system, they are more easily

3. *Planning mechanisms or levers* for achieving particular affordable housing outcomes (for instance, controls to protect low cost stock, regulation based incentives to promote low cost housing in the private market, or requirements to dedicate a proportion of development value or equivalent for affordable housing programs). These approaches may need the most work to tailor to the legal and administrative specifications of each jurisdiction.

Chapter 2 provides a fuller description of these scales of planning intervention.

1.6 Limitations of the research

As with all comparative policy analyses, this study is limited to a qualitative analysis of practice and outcomes across different international and Australian settings. The variation in the availability of data relating to the program outputs makes it somewhat difficult to provide a quantitative evidence base with which to compare outcomes across each case. Another limitation is that the cases are based predominantly on desk top research, due to the expense and resource implications of field visits within multiple national and international jurisdictions. However, the work is based largely on primary sources of information (planning legislation and related policy), supplemented by interviews or direct contact with planners in each case study area. In this sense the direct fieldwork undertaken in the Netherlands was important because of the language barriers associated with accessing and interpreting primary planning instruments of this kind. Finally, our housing market typologies allow focused analysis of the types of tools effective in different market scenarios, but are necessarily qualitative, with assessments based on trends (like market buoyancy) that are fluid and difficult to generalise with accuracy over large spatial regions.

1.7 Structure of this report

This final report contains six parts. The conceptual framework, review of literature and documented practice for the study are summarised in Chapter 2, which draws on material presented in the positioning paper for this research. Chapters 3 and 4 will be of most interest to those considering different ways of implementing affordable housing through local planning processes in Australia. The third chapter, 'Planning for affordable housing: the Australian experience', presents case studies in planning for affordable housing in NSW, Queensland, South Australia and Victoria. The fourth chapter, 'Planning for affordable housing: international experience', documents case studies from the United States, Canada, the United Kingdom, Ireland and the Netherlands. These chapters contain the detailed evidence base for the findings of the research. Those seeking a more comparative overview of practice can turn straight to the summaries at the end of each of these chapters.

Chapter 5 compares affordable housing practice and reviews available evidence regarding outcomes. It presents the matrix of planning levers and measures and implementation scenarios with commentary regarding the likely effectiveness of particular measures in different market or geographic contexts. The final chapter, 'Leading practice in planning for affordable housing in Australia', draws together the key findings in relation to the six research questions and highlights implications for future investigation and policy development.

2 PLANNING FOR AFFORDABLE HOUSING: REVIEW OF LITERATURE AND DOCUMENTED PRACTICE

This chapter provides an overview of existing research on planning for affordable housing, internationally and nationally. The focus is on literature and research originating within Australia, North America, the United Kingdom, Ireland and the Netherlands. Documented practice within each of these jurisdictions is also outlined here, so the chapter draws on and summarises material presented in Chapters 2, 3 and 4 of the positioning paper for this study. This chapter begins with a brief explanation of the rationale for urban planning and the relationship between the planning system and housing outcomes, before reviewing arguments that the planning system contributes to overall housing unaffordability. Secondly, three key arguments are identified: a shortage of residential land supply; onerous development controls and lengthy approvals times; and excessive fees and charges. The final section of the chapter categorises and defines strategies and planning approaches that are used to a greater or lesser degree across each of the jurisdictions reviewed in this study.

2.1 Housing, urban development and planning

Housing is a fundamental component of our urban fabric and infrastructure. It follows that the provision of housing will form a dominant or organising element of decisions relating to the use of urban and regional space – from the allocation of land through to encouraging or assessing specific proposals for new housing development and redevelopment. The urban planning system regulates land use within a strategic framework for balancing potentially competing community objectives – from the need to protect the environment and provide for open space and recreation, to the need to encourage economic growth, efficient transportation and infrastructure. Without intervention in the private development of land, many important community goods, such as open space and community infrastructure, might be over used or under provided (Barker 2006).

The planning process also provides a way of ensuring that all members of a community (however loosely defined) have a say in decisions about growth and change. In an ideal sense then, planning processes should seek to achieve socially fair outcomes in urban development, striving to ensure that no group or individual is unduly disadvantaged by development processes, and promoting equal access to urban amenities and opportunities – such as employment, education, leisure and services. Promoting opportunities for different socio-economic groups to access housing opportunities within new and changing areas of a city or region is an important way of achieving social equity or fairness in urban development.

2.1.1 Housing affordability as a normative goal of spatial policy and urban planning

Several primary policy arguments support the notion of housing affordability as a normative goal of spatial policy within the broader rubric of sustainable communities. The first focuses on the role of affordable housing in supporting economic vitality and competitiveness in a global economy (Barker 2004, Brunick 2004). In particular, affordable housing for ‘key workers’ such as police, nurses, automobile mechanics and teachers is needed to attract and retain key employees and support economic growth (Barker 2004, Berry 2006b, Oxley 2004).

Secondly, it is argued that affordable housing near jobs and services complements environmental goals by reducing urban sprawl and traffic congestion. By contrast, when affordable housing opportunities are separated from major places of employment, the results include traffic congestion and pollution (due to large commuting times), reduced urban amenity, and sprawl (Calavita 1998, Liberty 2003, Weitz 2003). In turn these negative impacts of poorly planned development reduce the liveability and attractiveness of a city or region, further discouraging investment.

Thirdly, the need for affordable housing to enable younger and older generations to retain their social and familial support networks is emphasised (Anderson 2005). Ultimately, it is claimed that affordable housing supports the social diversity and equity of access to jobs, education and amenity that is integral to community cohesion, while avoiding extremes of urban inequality (Blake and Collins 2004). In broader societal terms the risks associated with housing unaffordability include impacts on social cohesion arising from coping strategies as households move frequently in response to affordability pressures or tenure insecurity. Other households seek to avoid affordability problems by renting rather than buying a home, relocating to areas where housing costs are lower, or delaying having children (Yates and Milligan *cum al.* 2007, p.5). High numbers of households at risk of housing stress make national economic management more difficult as these households are very sensitive to policy changes (*ibid.*, p.6).

2.1.2 Urban planning and housing outcomes

The basic urban planning process for housing development is summarised in Box 2.1 (over page). While this basic process is constant across all jurisdictions with organised planning processes in place, there is much potential for variation in relation to the following areas:

- The level of government(s) responsible for establishing the policy and legislative framework for local plan making and development assessment;
- The spatial scale at which plan making occurs (site, local or regional level);
- The types of rules and requirements able to be legally included in planning instruments;
- The level of assessment undertaken in relation to each proposal, and whether development meeting specified criteria is permitted 'of right' or whether all development proposals are subject to a review on their individual merits;
- Mechanisms for the funding of infrastructure or other community requirements.

These variations provide a basis for comparing systems and outcomes across the multiple jurisdictions in this study. For instance, in jurisdictions where there is national level involvement in urban development and housing policy – the United Kingdom, the Netherlands and Ireland – there is likely to be greater weight placed on policy objectives set by central government, and greater consistency in approaches and outcomes at the local level. Conversely, where local jurisdictions have the primary role in policy definition and implementation, it is likely that greater variation will arise even at the sub regional scale. Similarly, the processes, methodologies and mechanisms used by planning authorities to promote affordable housing will depend on the extent to which the policy and legislative framework articulated by higher levels of government enables or supports particular policies and approaches.

Some planning systems are characterised by a highly codified approach to development regulation. This means that if a development is a permissible use on the site for which it is proposed, and conforms with applicable rules for design and

appearance, then it should be approved. This provides certainty for developers and usually means that the planning process is faster. On the other hand, unless requirements for affordable housing are codified within these rules there will be very limited opportunity to implement them as part of the planning approval process. In this type of planning system, land value (as a function of development opportunity) is largely conferred when the rules are set by the planning authority. The planning systems in the United States largely fit this model.

Box 2.1: Urban planning for housing development

The urban planning system has a critical role in ensuring an ongoing supply of housing that is well designed and located in relation to current and projected community needs. Planning for effective housing outcomes involves understanding existing and future housing needs across the different sectors of the community and in relation to the capacity of existing stock to accommodate those needs. Planners must ensure that there are sufficient opportunities for adapting existing housing and developing additional housing in a timely way. This housing should be accessible to services, employment, education, and recreational facilities or linked to firm plans for the funding and provision of such infrastructure.

This means identifying potential development opportunities within established urban areas that are already well serviced or capable of infrastructure upgrading, as well as in previously undeveloped lands in conjunction with a planned regional or local growth strategy. Arrangements to fund and provide the necessary local and regional infrastructure are required. Rules are specified to govern the way in which land can be subdivided into allotments for new housing development, including the amount or 'density' of new housing that can be provided within a given area. Design and environmental criteria are also codified in legal planning instruments, often referred to as 'planning schemes' or 'development plans'.

Developers may seek permission from a planning authority to adjust the rules applying to their land, to allow residential development to occur or to permit development at an increased density (often described as a 'rezoning'). They may also seek permission to subdivide existing land to enable individual allotments that will then be sold either as undeveloped land ready for housing or as a house and land package. Each completed house or housing estate requires assessment by the planning authority, in line with their established rules and any applicable policies set by other government authorities. Finally the planning authority will either reject the proposal or approve it (usually with certain conditions). These conditions typically include requirements to contribute to local infrastructure or other community needs, possibly including the need for affordable housing.

Working optimally, the planning system delivers a sufficient supply of new residential development opportunities in response to anticipated demand, while minimising the need to convert new land for urban development, in line with sustainability goals for biodiversity protection, catchment value, and the preservation of agricultural areas. The codified planning rules establish clarity about development outcomes, so operate to inform potential investors about likely future decisions. The organised approach to new housing and urban growth opportunities helps ensure that the most accessible locations are prioritised for development and encourages efficient infrastructure provision (see Oxley 2004 for more detail).

Other planning systems are characterised by their highly negotiated character, by which all development must be assessed on its merits, in the context of existing planning rules and guidelines. This approach may take longer for assessments to conclude but can also offer opportunities to negotiate for community benefits on a case by case basis, albeit within the context of strong planning regulations and guidance. The difference is that the 'right' to development cannot be assumed in this context, so the real land value is largely conferred when approval for a particular development is granted. The planning systems of the United Kingdom and Ireland conform to this discretionary model (White and Allmendinger 2003).

What is common in both of these systems is that there is generally a separation between the preparation of an overall planning instrument for a local area in its

entirety, and the submission of individual proposals for development on specific sites. These individual proposals will be assessed against the larger plan.

A third approach is used in many parts of Europe and increasingly in the context of large development sites in Australia. Under this process, detailed planning for an entire precinct or residential area is done in a coherent way, with the process of setting rules for land use and design conceived in relation to actual proposals. This works when the site is owned by a single entity (such as a public authority or major developer) or when land owners operate cooperatively. The approach is often called 'masterplanning', and most closely resembles the approach to land assembly and development facilitated by local authorities in the Netherlands.

Infrastructure funding is a crucial component of the land development process. Private development depends on and benefits from access to shared infrastructure and services – utilities, roads, parks, libraries and so on. The planning process provides a basis for coordinating the provision of this infrastructure and ensuring it is provided in an efficient way, by focusing development opportunities and the sequence of these opportunities around existing or planned facilities and services.

Different jurisdictions have different arrangements for the funding and provision of infrastructure. Essentially there are three main sources of financing: government funding (direct or by borrowing); private sector funding (generally with government support and the expectation of a return through 'user pays' fees per use or service); and contributions from developers through the development process. This third approach – contributions from developers through the development process – is directly managed by planning authorities. Different systems for determining the required contribution exist across Australia and internationally.

Irrespective of these differences in plan making, development assessment and the financing of infrastructure, many claim that the overall function of the planning system – to regulate land release and development – is a critical contributor to high housing costs and unaffordability (Demographia 2007, Moran 2006, Quigley and Raphael 2004). The following section summarises these claims.

2.2 Does urban planning contribute to unaffordable housing?

Housing affordability is determined by many factors, including demographic trends, demand for housing, household income, access to housing finance, and the supply of new housing or housing development opportunities (Yates 2007, p.14). Urban planning directly influences issues around housing supply, including the provision of new housing in desirable metropolitan and regional locations and the efficiency of residential development processes, from site allocation, to proposal assessment, approval, and the provision of infrastructure. Concern about the capacity of the planning system to deliver adequate housing supply opportunities in the right locations has been expressed across all of the jurisdictions reviewed in this study. Concerns have focused on spatial land release policy, systemic delays and inefficiencies, and infrastructure or other planning related fees and charges.

2.2.1 Urban containment

The concept of 'urban containment' or 'growth management' has emerged to counterbalance the tendency towards dispersed development. Urban containment essentially seeks to accommodate projected future household growth within existing areas as much as possible, focusing any new growth in dedicated centres. In Australia, the term 'urban consolidation' is used to describe the objective of prioritising new housing opportunities within under-utilised areas that are well serviced by public

transport. This is to be achieved by reusing former industrial sites, redeveloping older or poor quality housing, and encouraging new housing to be of a higher overall density.

Planning policy across Australia's metropolitan areas is explicitly directed towards more compact urban forms and limited rural land conversion (Beer *et al.* 2007). Policy rationales for urban consolidation in Australia focus on efficiencies in infrastructure provision, reducing air pollution by reducing the need for car based travel, and the protection of biodiversity, because less land is needed for urban growth. In the context of growing concern about the contributions of car based development on greenhouse gas emissions, many argue that compact urban forms provide a way of mitigating potential contribution to global climate change. It is also argued that compact urban forms where non-motorised transport is prioritised, and where local urban services are readily accessible to residential communities, are likely to be most resilient to both global fuel shortages and the impacts of climate change. These are complex arguments. They depend on the way in which consolidated development is conceived and designed. To date, for instance, the goal of higher residential density has been interpreted as a form of high rise apartment development, within existing areas, or as larger houses on smaller blocks, in new release areas, with social and environmental impacts of either form largely unexamined (e.g. Holloway and Bunker 2006, Randolph 2006).

What is crucial to this debate in relation to affordable housing is the argument that containment makes housing less affordable by artificially restricting the supply of land (e.g. Demographia 2007). This argument has gained considerable traction in recent years. It suggests that the goal of containing new housing development opportunities for sustainability reasons actually contradicts the broader need to ensure sufficient opportunities for new housing in response to forecast demand. The problem with this argument is that in reality, urban containment policies tend to coexist with urban release opportunities on city fringes. For instance, the metropolitan strategies for Sydney and Melbourne both anticipate at least 30 to 40 per cent of new growth to occur in new release 'greenfield' areas. Rather than prohibiting new release, the goal is to ensure that new housing and housing renewal continues within established areas as well as the outer city limits.

So if there is a shortage of development opportunities relative to demand, this shortage may well be within existing urban areas, rather than new release areas on the urban fringe. Making more land available on the outer city margins will not have a significant impact on house prices across the entire city or region, but it could have a significant impact on localised markets within adjoining, established suburbs. This is not necessarily a desirable outcome either, even if it leads to lower house prices within these areas. A declining housing market leads to uncertainty and disinvestment, reducing the likelihood that developers will contribute to new housing supply. As observed in relation to housing supply in the United Kingdom, favourable zoning and planning permission alone does not guarantee housing development (Barker 2004). So, land supply policies need to be balanced – creating sufficient opportunities for new development relative to demand, while still maintaining the conditions needed for investment within established housing areas and selected new areas.

2.2.2 Facilitating residential development opportunities

To reduce the cycle of spiralling house prices, planning policy must anticipate, respond to and reduce the potential for major shifts in the demand supply cycle. Government land developers can play an important role here by facilitating a steady stream of housing development opportunities, thus discouraging land speculation.

Similarly, urban consolidation policies that focus on redeveloping under-utilised industrial sites, renewing sub standard housing, and increasing density in well located areas seem consistent with the objective of facilitating new housing supply, particularly in areas where demand is greatest. Consolidation policies also focus on greater housing diversity through smaller dwellings and apartments, providing opportunities for lower cost entry points to home ownership and a greater supply of apartments likely to end up on the rental market. However, successful containment policies are also associated with a loss of existing low cost housing opportunities to redevelopment, and a sharp increase in land values associated with higher development potential. The inherent scarcity of land in established areas well serviced by infrastructure, employment opportunities, transport and amenities also means that house prices and rents have increased in these locations (Productivity Commission 2004).

Ironically then, 'good planning' can contribute to higher house prices and rents, by creating or preserving the values associated with particular locations. For instance, it can reinforce central city areas, or place more housing near services, thus creating greater economic vitality and urban amenity. When it is clear that future planning decisions will preserve and promote these values in new or growing areas, investment in residential (or other) development becomes attractive. Provided that other conditions are met – such as the availability of funds to augment and maintain infrastructure or the public domain – effective planning can enhance housing demand and investment in certain, preferred locations. This is a positive outcome but must be matched by a commitment to ensure that lower income residents are still able to access affordable housing opportunities, and a policy to ensure that similar locational advantages are created in existing and selected new housing markets across a city or region.

The literature summarised above establishes that current planning policies for urban containment are not necessarily to blame for housing unaffordability. But other factors may conspire to reduce the supply of housing development opportunities or make housing development more expensive. These may include complex or unnecessary regulatory requirements and controls, delays and uncertainties in assessing development proposals, and high contributions for infrastructure.

2.2.3 Development controls, systemic delays and inefficiencies

Development controls regulate the size of residential land parcels, the density of development, and the potential for different housing forms, from multi-housing units through to manufactured homes, boarding houses, or housing for people with a disability. They also promote broader community objectives relating to health and safety, energy and water efficiency, cultural heritage and neighbourhood amenity. If these controls are too restrictive they can exclude lower income groups or those with special needs from a particular local or regional housing market (Liberty 2003, Pendall 2000). Planning controls that make housing more expensive to construct or renovate include prohibitions on 'multi-family' or medium density housing, group homes for people with a disability, manufactured housing and accessory dwellings, requirements for wide streets and excessive parking spaces (APA 1991, 1997 and 2001, US HUD 2005, Pendall 2000).

As well as restricting lower cost housing forms, delays in obtaining planning approval add to the total cost of undertaking an individual development. This is likely to be a particular issue within established areas where existing home owners wish to adapt or extend their housing to meet changed needs, or where opportunities for redevelopment and infill housing are needed. Planning controls tend to be more restrictive in these contexts because of the need to protect the amenity of surrounding

residents. However lengthy delays in approval time make housing development more expensive, reduce the amount of development activity in an area, and contribute to longer term supply constraints which can increase house prices (US HUD 2005, Monk and Whitehead 1999).

2.2.4 Development costs and charges

As well as these indirect costs arising from systemic inefficiencies, processing fees and compulsory infrastructure contributions add directly to the costs of housing production. Industry bodies in Australia have estimated that between 25 and 35 per cent of the purchase price of new houses in Australia is due to compulsory infrastructure charges or levies, compliance with planning controls and other state government taxes, including the Goods and Services Tax (GST) (HIA 2003). As these estimates are similar to figures quoted by development industry representatives in the United States (US HUD 2005), it seems likely that compliance costs comprise a standard proportion of the feasibility planning for new residential development. The actual dollar amount paid for infrastructure provision and administrative processing fee however will differ for each project and jurisdiction.

The literature on the need for developer contributions rests on two key arguments. The first focuses on the impact the new development has on the need for public services (Been 2005). If new development creates a need for new services, or will impact on the capacity of existing services, then a contribution towards meeting this new demand should be sought. These are called impact fees or linkage fees in the United States, and legislation authorising the collection of these levies exists in many U.S. cities. In theory, impact or linkage fees (also known as 'exaction fees') may be levied for any purpose, provided there is a nexus between the contribution amount, the use to which it will be put, and the actual impact of the development. Impact fees have been used in this way to levy funds for affordable housing, where a development results in the loss of existing low cost housing supply, or creates a need for additional low cost housing opportunities.

The second, related rationale for seeking developer contributions focuses on the benefits accruing to a private landholder from planning approval, often called a 'windfall gain'. The argument is that some of this private windfall or betterment should be shared as public benefit to provide the infrastructure and services that will be needed to support the new population. Windfall gain is actually created through the differential spatial impact of planning decisions: development of a certain intensity will be permitted in some areas but not others. This means some sites will enjoy a significant uplift in land value. Seeking to reclaim some of this private windfall for affordable housing might then be justified as offsetting the localised impact of planning policy on house prices (Crook and Whitehead 2004). Most jurisdictions that use value uplift as a justification for the imposition of compulsory developer contributions require the contributions as a set proportion of the total value of development (rather than a proportion of the assumed value uplift). The term 'betterment tax' is used to describe a formal calculation and collection of hypothecated value uplift, although this can be difficult to implement in practice (Oxley 2006).

The policy concern is that these contributions for public infrastructure, including affordable housing, increase the cost of housing production and are added to house prices, or worse, discourage housing development even in areas where it is most needed. Evidence suggests that the extent to which compulsory infrastructure contributions impact on housing affordability depends largely the scale of the contribution relative to other costs, the way in which it is contribution is applied, and the characteristics of the market (Evans-Cowley and Lawhon 2003). When the market is buoyant developers are more likely to be able to recoup costs in high sales

prices. This is because in a high demand scenario, developers will charge the price the market will bear, irrespective of costs associated with production (Been 2005).

If conditions are not so buoyant and the developer is unable to recoup their costs in the sales price, they may opt out of development until demand is sufficient to increase prices again, or produce 'upmarket' housing with a greater margin for profit. Neither of these scenarios enhance housing affordability. Ideally, required contributions will be known prior to the purchase of land, and so will be passed on to the land owner. However, if this results in a sales price that is below the land owner's expectation, they may choose to hold onto their land until supply shortages mean they are able to realise a higher price. As home buyers benefit from the infrastructure and services in their area, developer contributions can represent value and facilitate residential land supply that might not otherwise be able to be developed without such services, so avoiding a supply shortage. However, if charges are not used efficiently or are not related to the service costs of the development then the purchaser is unable to recoup any particular value or benefit from them. For a fuller discussion of these arguments, see the positioning paper for this project (Gurran *et al.* 2007, esp. pp.17-23.)

2.2.5 Summary

In summary there are several ways in which the planning system overall may impact on housing supply and affordability. These include decisions and strategies for residential land supply within established or new areas, specification of development controls for health and safety, environmental protection or sustainability, heritage or amenity, and fees and charges, especially in relation to infrastructure.

2.3 Strategies and planning approaches for affordable housing

There is much confusion surrounding the types of strategies and planning approaches that can be used to promote affordable housing goals. This is partly due to differences in terminology across jurisdictions. It is also because the planning system provides opportunities to address affordable housing goals at different scales, as noted above. In the positioning paper for this project (Gurran *et al.* 2007), we referred to three scales of planning intervention for affordable housing. System scale approaches address the systemic deficiencies associated with planning system performance. For instance, land release policies, complexities, delays, and costs and charges are systemic issues that might indirectly affect housing affordability. At the intermediate scale (often at sub jurisdictional level), new methods, institutions and planning processes are emerging to facilitate collaborative approaches to housing need at local and regional levels. Finally, at the local or micro scale, planning mechanisms are levers or tools within the planning process to retain existing low cost housing, promote new low cost housing stock, or generate dedicated new affordable housing opportunities for low and moderate income earners to rent or buy. In order to provide a consistent terminology for understanding their implementation across the different jurisdictions examined in this study, we summarise these approaches in the following subsections.

2.3.1 System wide approaches – improving the operation of the planning system for affordability

Systemic planning enhancements are designed to make the planning process respond better to community and industry needs. The focus is on ensuring sufficient residential development and redevelopment opportunities in places of existing or forecast high demand, with a 10 to 15 year horizon. This is achieved by ensuring that well located land is zoned or categorised to permit housing development of the

required character and density. It also means addressing systemic deficiencies that discourage housing investment or renewal, like slow and uncertain planning approval processes, inconsistent, unclear or unnecessarily onerous development requirements, or high and indeterminate fees and charges.

Initiatives designed to simplify and standardise local planning controls, and to provide certainty or 'as of right' approval for proposals meeting specified codes, are designed to improve the overall operation of the planning system. While such interventions may have clear benefits overtime, radical changes to local planning rules and processes also have short to medium term impacts on development opportunities and housing supply, as professional resources are redirected towards new plan preparation. Planning decisions – like residential rezonings or the assessment of major developments – might be put 'on hold' pending the completion of the new plan.

There are a number of specific interventions or levers that can be used to improve the operation of the planning system in relation to affordable housing outcomes. These are discussed further below, and in the following two chapters with reference to the case study examples.

2.3.2 Methodologies, institutions and planning processes for affordable housing assessment, development and collaboration

Effective methodologies are needed to determine existing and forecast housing need within a local area, and to translate this need into targets for actual housing requirements at different house points. Similarly, jurisdictions where affordable housing contributions are levied require effective methods for defining contribution requirements, bearing in mind market conditions, the characteristics of the site or area, and the value of other incentives or subsidies. The objective is to maximise the affordable housing contribution without jeopardising the viability of the overall development. Methodologies for calculating contribution requirements might result in a fixed amount payable in all identified areas, or a negotiated requirement determined in relation to a particular formula.

While public authorities have traditionally developed and managed rental housing for low and moderate income earners, and still continue to do so, diversified models of housing assistance and management have emerged over the past fifteen years. Further, affordable housing products are no longer narrowly conceived as long term rental housing but might also include other forms like boarding houses, low cost or shared equity home ownership. To facilitate these models, dedicated non profit and sometimes for profit, affordable housing developers able to develop and manage affordable housing portfolios have emerged. To support this sector, external funding or incentives to make affordable housing development viable is generally needed.

New processes for affordable housing assessment and collaboration are occurring at regional levels. Recognising that housing markets rarely conform to administrative jurisdictions, regional approaches ensure that affordable housing opportunities are situated across a region, rather than concentrated in specific areas. Models of regional collaboration promote sharing of knowledge and resources for affordable housing. Examples of each of these approaches are provided in the international and Australian case studies in Chapters 3 and 4.

2.3.3 Planning mechanisms for affordable housing

There are many ways to describe and categorise the particular planning mechanisms that have emerged to promote affordable housing, internationally and within Australia. To provide a basis for meaningful comparison across these jurisdictions, we propose the following five broad descriptions: 1) housing supply levers; 2) barrier reduction

strategies; 3) preserving and offsetting the loss of low cost housing; 4) incentives for new affordable housing; and 5) approaches to seeking dedicated affordable housing supply in new development. As national policy is shifting towards a consistent terminology for referring to affordable housing mechanisms, these groupings and descriptions are largely consistent with those proposed by Australia's Housing, Local Government and Planning Ministers' working group on planning for affordable housing (HLGPM 2006).

Table 2 summarises the types of planning strategies and mechanisms used for affordable housing across the study jurisdictions. Each strategy will then be addressed in turn.

Table 2.1: Planning strategies and mechanisms for affordable housing

<i>Strategic objective</i>	<i>Approach / mechanism</i>
1. Increase housing supply	Land audit Government dedication / acquisition of land Land development or renewal authority Land development incentives / penalties
2. 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 Faster approvals for preferred development Overcome local barriers to affordable housing
3. Preserving and offsetting the loss of low cost housing	Social impact framework Preserving particular house types at risk Assistance for displaced residents
4. Encouraging new affordable housing	Graduated planning standards Planning bonuses / concessions Fast track approvals for affordable housing meeting defined criteria Fee discounts
5. 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

Source: The Authors

1. Housing supply levers

Housing supply levers aim to enable a steady release of new land for housing to stabilise the land market. To be effective, the land must be located in areas where existing or potential demand is focused. This may be in areas of under-utilised capacity within established urban limits or in selected new release locations. Undertaking a land audit of existing and potential residential land (across private and public ownership) is standard practice at local authority level, although the frequency and efficacy of land audits or assessments vary across jurisdictions. Land audits may also be undertaken by public sector agencies in relation to their own land holdings.

Following a land audit, or in context of an up-to-date land information system, planners can respond to existing or projected supply needs by actively identifying or creating new development and renewal opportunities. For instance, they may assist in the assembly of sites. In some jurisdictions, government or quasi government authorities will take responsibility to acquire land in locations where growth is expected to occur, and land acquisition provisions exist in most planning legislation. Another strategy is to encourage or require residential development approvals to be taken up within a given time frame. Specific mechanisms might include:

- *Government acquisition or dedication of land for affordable housing* – by purchasing land or under-utilised sites in preferred growth areas, government agencies are able to ensure a steady release of new land for housing, so responding to housing needs and supporting the housing industry, while discouraging monopolistic behaviour or land banking. By incorporating explicit affordable housing objectives in government land disposal policies, any increased value realised when the land is developed can be secured for affordable housing – either provided onsite as part of a larger project, or, if this is not viable or desirable, provided as funds for subsidised housing development elsewhere.
- *Land development incentives / penalties* – to ensure that housing development opportunities are taken up in a timely way, in response to housing need, incentives, like greater assistance with infrastructure costs, can be offered to bring forward development in preferred areas. At the same time, penalties for withholding residential land once rezoning or permission for development is granted, could include imposing rates at an urban scale for development sites not utilised within a specified time period. To reinforce the value of development within preferred areas, and to discourage out of sequence development that is difficult to service, charges to offset the additional costs of infrastructure for out of sequence housing can be imposed.

2. Barrier reduction strategies

Barrier reduction strategies seek to remove obstructions to developing low cost and diverse housing forms. They complement housing supply strategies by making it easier to use available land for low cost and affordable housing, or housing for those with special needs, like seniors or people with a disability. Barrier reduction strategies focus on restrictive land use controls (that prohibit or discourage certain housing); and subdivision and design requirements that make housing more expensive to produce (like generous building setbacks or open space requirements, or the use of particular building materials). Covenants on building titles that require compliance with additional design codes, or limit the way properties can be used, can also act as a barrier to affordable housing.

Specific barrier reduction strategies are:

- *Inclusive planning controls* – enabling a mix of housing types and sizes to be provided in as many areas as possible, including secondary or ‘accessory’ dwellings, dwellings on small lots or clustered together, medium and higher density housing in selected accessible locations; boarding houses, housing for seniors or those with a disability, manufactured homes or caravan parks, and over-ruling restrictive design standards or covenants that make housing cost more to develop or buy.
- *Ensuring faster approvals for preferred developments* – in addition to changes in administrative arrangements, speedier development approvals can be offered for affordable or low cost housing proposals, meeting defined criteria.

- *Overruling local barriers to affordable housing development* – in some jurisdictions, higher levels of state or regional government are able to overrule local planning controls that unnecessarily prevent certain affordable housing forms, or fail to provide sufficient opportunities for new housing supply.

3. Preserving and offsetting the loss of low cost housing

Strategies to preserve existing sources of accommodation that are affordable to low income earners may focus on a particular housing type under pressure (e.g. boarding houses or residential hotels), or on the incremental processes of urban change and redevelopment that cumulatively reduce low cost housing opportunities. These approaches usually seek to discourage redevelopment of low cost housing forms, and minimise the potential for displacement of low income residents from their home or local community. Such levers can control demolition, change of use, and redevelopment of identified low cost housing (e.g. boarding or rooming houses, residential hotels, caravan parks, or low cost rental flats meeting defined criteria). In addition to or instead of demolition controls, a social impact assessment might be required.

If redevelopment or change of use is approved, measures may be implemented to offset this impact for affected residents or on the overall availability of low cost housing. These could include dedicating a portion of the new development for low income housing (in perpetuity or for a specified number of years); or financial assistance for displaced tenants.

Specific mechanisms that might be used together or separately include:

- *Controls to preserve specific housing types* – restricting or limiting the redevelopment of defined low cost housing within a particular area. For instance, in outer suburban areas and in coastal or rural communities, caravan parks and manufactured home estates are likely to be under pressure for redevelopment. In inner and middle urban rings, boarding houses and residential hotels are likely to be under greatest pressure.
- *Social impact framework to assess and mitigate the loss of low cost housing stock* – this can be achieved by a planning requirement to assess and mitigate the impact of development that is likely to create a need for new low cost housing opportunities or result in the loss of existing low cost housing.
- *Assistance for displaced tenants* – some planning instruments require conditions to be attached to planning permission, to compensate displaced residents and assist them to relocate.

4. Incentives for new affordable housing

Planning incentives can encourage new affordable housing by reducing the costs associated with development. They are used in three main ways. First, to encourage developers to produce private market housing suitable for lower income earners to rent or buy, like shop top or student housing. A common incentive is to permit increased development capacity (floor space entitlements) for projects incorporating mixed residential and commercial functions, likely to coincide with lower housing market entry points. Secondly, incentives can also secure dedicated contributions for affordable housing (on site, or as an equivalent financial or in kind payment). The value of the increased development potential associated with the incentives is calculated, and a proportion of this value used for the affordable housing contribution. Thirdly, incentives can encourage affordable housing development by non profit organisations, by allowing access to special concessions to reduce development costs or increase their yield. Specific types of planning incentives include:

- *Graduated planning standards* – these allow more flexible adherence to development standards based on performance criteria. The approach can be used to increase site yield and so encourage low cost housing types like boarding houses, student accommodation, retirement villages and accessory dwellings, in designated areas. For instance, requirements for open space might decrease as the size of the dwelling or number of bedrooms decreases, so more modest housing forms can be developed at lower cost. Similarly, car parking standards can adjust to the location or the characteristics of likely residents, so fewer car parks will be needed for student accommodation or boarding houses located near services and high quality public transport.
- *Bonus systems* – these relax specified development controls, typically height, density, setback or parking controls, in exchange for the construction of preferred low cost housing forms (like shop top housing) or for dedicated affordable housing contributions.
- *Planning process incentives* – affordable housing meeting defined criteria might attract special treatment in the planning process, such as fast track approvals, reduction, exemption, or refund of application fees, infrastructure charges or rates.

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

5. Securing dedicated affordable housing contributions

Dedicated contributions for affordable housing may be made on a voluntary or mandatory basis.

- *Voluntary negotiated contributions* – voluntary negotiated agreements for affordable housing are made between a developer and planning authority, often in return for an incentive, concession or variation of planning standards. These may be specified in a plan or policy, or negotiated while the overall requirements for the site are being determined (sometimes described as a ‘master planning’ process). They can provide a way of recognising some of the ‘windfall’ associated with the rezoning of a site for residential development, or the introduction of new planning controls that allow more intense use of the site. The agreement might also be associated with other incentives or negotiated variations, like discounted infrastructure fees; pre-purchase commitments guaranteeing that a proportion of the housing will be purchased and managed by a social housing provider; and sometimes assistance with promotion or marketing.

The negotiated approach provides an opportunity to secure some ongoing affordable housing in places where it might otherwise be lost through urban renewal or redevelopment, or needed in the future, before land values further inflate. In some jurisdictions a clear policy framework specifies when negotiated contributions will be sought (for instance, when land is rezoned or when planning controls are varied at the request of the developer). This type of policy framework for negotiated agreements makes it more likely that such development will be sought and applied in a consistent way.

- *Mandating affordable housing inclusion in new development* – mandatory policies impose a legal obligation for developers to contribute to affordable housing as a condition of development approval. The requirement may apply to a specific site, area, or across a zone or entire local authority. They might also be limited to a specific type of development (residential, or commercial, or both); category of site (a redevelopment site or a site that is being rezoned); or development scenario (when a developer seeks a variation in planning controls to permit their

development). Thresholds often apply to the scale of development that is required to make the affordable housing contribution.

Specific mandatory contribution approaches include:

- *'inclusionary zoning'*, where a proportion of all identified development above a specified threshold and within a specified zone or area must contribute to affordable housing, usually as a fixed amount;
- *'impact fees'* or equivalent, which link the affordable housing contribution the impact of the development on housing needs within the local area. A connection or 'nexus' between the development and the affordable housing impact must be demonstrated to use this approach;
- *negotiated contributions*, where the actual amount and type of contribution is negotiated between the planning authority and developer, having regard to any affordable housing targets, market viability, and any other government subsidies or assistance.

In most cases, incentives are available to offset the cost of the mandatory contribution. The contribution might be made as: a dedicated number of housing units, to be owned in perpetuity by a local housing program, or to be available as low cost rental housing for a specified period of time; as land for affordable housing development; or as lower cost homes for eligible households to purchase. Most jurisdictions prefer housing to be integrated on the site of a larger development but contributions are sometimes provided off site or as an equivalent monetary payment.

There may be some cross over in the use of levers for particular strategies. Some levers are used in combination (for instance, to offset the impact of a mandatory requirement), while others are equally appropriate approaches to two or more strategies. Some levers may have the potential to undermine other strategies if not used carefully – for instance, if inclusionary zoning requirements are set too high they might discourage new development and so undermine the goal of achieving more supply. These issues are explored further below in relation to the case studies.

2.4 Summary

This chapter has positioned housing affordability as a normative goal for spatial planning policy. There are many opportunities to improve the way in which Australian planning systems promote affordable housing, by developing new ways to assess and manage responses to housing need, and using planning mechanisms and tools in a proactive way to maintain and achieve new affordable housing opportunities. These approaches have been demonstrated internationally and in some Australian jurisdictions, as outlined in our positioning paper (Gurran *et al.* 2007). Overall, however, Australian practice in planning for affordable housing has been limited to date. Closer examination of specific international and existing Australian examples, through case study analysis of policy, legislation, governance and design attributes, is needed to support and extend this work. Examining which mechanisms are used in different market contexts may also assist in matching potential approaches to appropriate Australian settings.

A close look at the case studies also provides a basis for examining the interaction between planning levers and other government investment and incentives for affordable housing development. Mechanisms to secure affordable housing contributions – from conditions of development approval to covenants or agreements on title – are design issues that are of interest to planning authorities seeking to introduce affordable housing requirements, and case studies provide insight into these

techniques. The following two chapters explore these questions in light of a number of Australian cases (Chapter 3) and international cases (Chapter 4).

3 PLANNING FOR AFFORDABLE HOUSING: THE AUSTRALIAN EXPERIENCE

To identify potential lessons for Australia from international experience in planning for affordable housing, it is important to understand the state of current Australian practice. This chapter examines practice in planning for affordable housing across four Australian jurisdictions: NSW, Queensland, South Australia and Victoria.

Each local case study is framed by a review of policy and legislation at state, metropolitan and regional levels. The last section of the chapter compares the approaches and outcomes of each Australian case study in this report, alongside additional Australian examples from the positioning paper (Gurran *et al.* 2007). Readers seeking a broad overview of Australian practice may choose to go directly to state summaries at the end of each section, or to the final comparative summary at the end of the chapter.

3.1 Overview of planning and housing policy arrangements in Australia

Australia's Commonwealth Government has limited involvement in land use planning, which is the primary legislative responsibility of the states and territories. The Commonwealth has demonstrated periodic policy interest in housing, urban and regional development, notably during the Whitlam era of the early 1970s and during the early to mid 1990s under the former Prime Minister Paul Keating. However it has had no formal or ongoing involvement in affordable housing and planning, as aside from the distribution of funds under the Commonwealth State Housing Agreement (CSHA). The CSHA was first introduced in 1945 on the condition that the states introduce town planning legislation, but since this time, the connections between housing policy and urban planning have waned, despite both portfolios being responsibilities of state and territorial governments. As shown below, this separation of housing and planning policy in Australia contrasts with nations like the United Kingdom, the Netherlands and even many parts of the United States, all of which have maintained housing assistance as a key emphasis in developing and implementing urban planning policy.

In 2005 the Australian State and Territory Housing, Local Government and Planning Ministers formed a collaborative process to address affordable housing (HLGPM 2005). The National Framework for Action on Affordable Housing includes a shared approach for the use of planning mechanisms to support affordability, including the national definition of affordable housing, key principles, and key components of planning systems that support affordable housing initiatives.

3.2 New South Wales

State and local governments in New South Wales have a relatively long history of addressing affordable housing through planning legislation and policy, much of which was developed during the 1990s. The focus has been on protecting existing sources of low cost housing, especially in metropolitan areas; overcoming barriers to diverse housing forms contained in local planning schemes; and enabling planning authorities to seek contributions towards affordable housing programs.

3.2.1 Planning legislation and framework in NSW

The *NSW Environmental Planning and Assessment Act 1979 (EPAA)*, as amended in 1999 and 2000) explicitly aims to promote and retain affordable housing (s5(a)(viii).

There are clear provisions for statutory plans made under the Act ('local', 'regional', or 'state' environmental planning instruments) to include arrangements for "providing, maintaining and retaining, and regulating any matter relating to, affordable housing" (s26(d)).

There are several legally enforceable State Environmental Planning Policies (SEPPs) for housing diversity and affordability³. A key avenue for planning authorities to gain contributions for affordable housing is offered via provisions for voluntary planning agreements under section 93F of the *EPAA*. Planning authorities (which may be local or state government authorities) may enter into agreements with developers for any public purpose, which explicitly includes "the provision of (or the recoupment of the cost of providing) affordable housing" (s93F(2)(b)).

The *EPAA* provides some support for mandatory collection of affordable housing contributions, as has been applied in two urban renewal areas of inner Sydney (Green Square and City West). However, very tight prescriptions confine the use of these provisions and double Ministerial approval (via the approval of both a local and state environmental plan) is needed to integrate mandatory regulations for affordable housing within local planning instruments (SEPP 70: Affordable Housing (Revised Schemes)).

Under reforms announced in 2005, local governments around NSW are required to amend their planning instruments in line with a new local template, the 'standard instrument'. The standard instrument contains state specified zones and mandatory provisions for councils to insert, but additional local objectives and requirements may be allowed by the Minister for Planning. Although the Department of Planning has foreshadowed the potential introduction of standard clauses relating to affordable housing, none have been publicly exhibited. This has meant that councils expecting to pursue explicit affordable housing provisions within their local plans have needed to consider these as part of their overall plan review, but without guidance as to what types of provisions may be promoted or endorsed by the state government.

3.2.2 Support for local housing initiatives in NSW

The long running state government funded Local Government Housing Initiatives Program (LGHIP) has provided grants to local councils to better understand and respond to local housing needs. The grants have funded local housing officers, the preparation of housing needs studies and local strategies, as well as regional initiatives. Funds provided through this program have been a significant resource for the work undertaken by the local councils as described below. The Centre for Affordable Housing within the NSW Department of Housing acts as a resource for local government and other partners to develop affordable housing initiatives. It has produced an online resource kit to assist councils undertake local housing need analyses and guide the use of planning approaches for affordable housing retention and development.

3.2.3 Sydney metropolitan planning framework and affordability

Sydney's current Metropolitan Strategy, *City of Cities*, was completed in 2005 (NSW Government 2005). As well as broad targets for residential growth, the document outlines a number of commitments relevant to affordable housing. These include seeking to minimise the construction costs and costs of serviced land; addressing

³ As noted in the positioning paper to this project, these include State Environmental Planning Policy: Housing for Seniors or People with a Disability; SEPP 9: Group Homes; SEPP 10: Retention of Low Cost Rental Accommodation; SEPP 36: Manufactured Home Estates; and SEPP 65: Design Quality of Residential Flat Development.

affordability objectives in urban renewal planning; enabling the adaptation of existing dwellings for higher occupation; and ensuring that local environmental plans provide for housing mix. Specific affordable housing interventions foreshadowed are: identifying sites suitable for affordable housing projects; delivering a supply of land or dwellings for affordable housing providers; and facilitating the use of negotiated planning agreements for affordable housing (NSW Government 2005, C4.1-3). The strategy foreshadows the use of planning mechanisms for affordable housing within local plans, and makes a reference to 'inclusionary zoning' as well as local density bonus schemes. However, more than 18 months since the release of the strategy, no state mechanisms for affordable housing have emerged.

3.2.4 Case study 1: Canada Bay Council – planning agreements and urban renewal

The City of Canada Bay Council was formed in 2000 through an amalgamation of the former Drummoyne and Concord councils in Sydney's inner west. Over the past 10 years a number of large manufacturing industries have moved out of the area and are being replaced by residential development. The population of Canada Bay was 68,883 in 2006 (ABS 2007). The impetus for the introduction of affordable housing initiatives in Canada Bay arose from Councillors who were concerned to retain lower paid essential workers within the area, particularly hospital staff and carers of the aged.

The council adopted an interim affordable housing policy in 2005. The focus of the policy is to pursue the dedication of affordable housing stock during major redevelopment processes, through negotiated planning agreements under s93F of the *Environmental Planning and Assessment Act 1979 (EPAA)*. The policy set out clearly that council will expect developers of large residential developments to offer a number of units to Council as 'affordable housing' or for other public benefits, using a planning agreement, either at the stage of a rezoning or in conjunction with the processing of a development application. The policy specified that the level of contribution expected, would be in the order of 25 per cent of any floor space which may be considered as a 'bonus' floor space ratio – that is, increased density for the site.

To date, 15 affordable housing units (relating to a single project) have been dedicated to council as a result of this process, of which six are to be made accessible to Concord Hospital staff who meet specified income eligibility criteria. The affordable housing dwellings will be owned by Council, but the management of the dwellings contracted to a Community Housing Association. Council outsourced the planning agreement and development application to an Independent Hearing Assessment Panel for assessment, to address any conflict of interest issues.

While Council has had success in securing affordable housing contributions through the planning agreement process, the voluntary nature of the approach is limiting. Council's initial intention was to pursue a mandatory scheme but was advised that this course of action was unlikely to be supported by the state government. The other limitation associated with this approach is that the planning agreement framework under section 93F of the *EPPA* generally relates to the overall infrastructure contributions associated with a development, meaning affordable housing goals compete with other council priorities for funds.

A new Affordable Housing Policy for Canada Bay was passed in August 2007. The policy reiterates the use of planning agreements as the preferred mechanism for council to pursue affordable housing contributions. A main aim is to establish a local key working housing program, including a housing scheme for Concord Hospital staff.

3.2.5 Case study 2: Carlton United Brewery site, City of Sydney – contributions for off site affordable housing

The Carlton United Brewery site is a high profile development situated in close proximity to Sydney's Central Railway station. The site is within the City of Sydney local government area but the state government has assumed planning responsibility for the site, under its new powers set out in 'Part 3A' of the *Environmental Planning and Assessment Act 1979 (EPAA)*. The development comprises a mixed use commercial and residential project including 1,800 residential apartments. As part of the approval of the concept plan for the site, the developer agreed to contribute about \$50 million towards community facilities (such as open space) and \$23 million which will be used for affordable housing in the nearby Redfern Waterloo area. However, dedicated affordable housing will not be available within site itself.

The affordable housing collections will be administered through a planning agreement with the Redfern Waterloo Authority, a statutory body under the jurisdiction of its own *Redfern Waterloo Authority Act 2004 (RWAA)*. The Authority was established to facilitate the urban renewal of the Redfern Waterloo area, which is situated in close proximity to the southern edge of the CUB site. The suburbs of Redfern and Waterloo contain significant concentrations of ageing public housing estates.

The *Redfern Waterloo Authority Act 2004* foreshadows collection of an affordable housing levy deriving from the Carlton United Brewery site. As the state government has planning jurisdiction over the site, three agencies – the Department of Planning, the Redfern Waterloo Authority, and the City of Sydney – have involvement in the process.

Under the *RWAA* the Minister for Redfern Waterloo has prepared a development contributions plan, to collect contributions for affordable housing, as a condition of consent under section 94F of the *EPAA*. The provisions are in response to the potential for redevelopment of eight designated state significant sites located within the Redfern Waterloo Area. The exhibited contributions plan proposes that affordable housing will be provided beyond the eight designated sites and across the wider operational area. It proposes a levy of 1.25 per cent of the total gross floor area of the proposed development in the area.

3.2.6 Case study 3: Randwick City Council – master planning and redevelopment

Randwick is a highly urban and densely populated local government area located in Sydney's eastern suburbs. The overall population of Randwick was 126,877 in 2006 (ABS 2007). Randwick is a major employment node, including four hospitals, the University of NSW, a TAFE college, and Port Botany. These industries, particularly the port and hospitals, need shift and service workers to provide essential services on a 24-hour basis.

Council began focusing on affordable housing in the mid 1990s, and in 1999 introduced a mechanism to collect modest contributions for affordable housing under the local development contributions framework (section 94 of the *Environmental Planning and Assessment Act 1979*). This was later abandoned following the introduction of the *Environmental Planning and Assessment Amendment (Affordable Housing) Act 2000*, which limited opportunities for councils to levy contributions for affordable housing (to the mechanism established under SEPP 70).

In 2000 an Affordable Housing Clause was introduced to *Randwick Local Environmental Plan 1998*. Development sites subject to a master planning process must include affordable housing, through a mix of dwelling types and potentially

through dedicated affordable dwellings. The plan amendment followed the identification of a number of surplus government redevelopment sites zoned for 'special uses' which allowed multi-unit housing. Randwick Council negotiated with the state government, to introduce master plans as a requirement for the redevelopment of large sites. So although the redevelopment of these sites was permissible without a rezoning, the LEP amendments provided a basis for seeking negotiated contributions through the requirements of a master plan.

The outcomes of the planning agreement are reflected in the adopted master plan so become conditions of development consent. A deferred commencement condition in which consent is inoperable until a Deed of Agreement regarding any affordable housing commitment is signed. Council has established an affordable housing rental program and management framework for affordable dwellings secured in this way. The focus of the program is to provide accommodation for Randwick key workers.

Using these mechanisms, Council has acquired 15 affordable housing dwellings to date, in four redevelopment processes. These include 'Pacific Square' at Maroubra Junction (which resulted in five affordable housing units) and the former 'Prince Henry Hospital Site' at Little Bay (which yielded eight affordable housing units). Two smaller projects, the redevelopment of a retail outlet at the corner of Bunnerong Road and Daunt Ave, Matraville; and a project at One King Street, Randwick, each yielded a single unit of housing for the Council.

The Pacific Square project was located within a mixed use zone at Maroubra Junction. The project included a residential development above a shopping centre, involving more than 500 additional dwellings. The council negotiated five of these dwellings as a contribution to the affordable housing program, following early discussion during the master planning for the site. Council offered a planning concession for the site involving reduced car parking requirements, which were justified by the project's proximity to services and transport.

Redevelopment for the former Prince Henry Hospital site at little Bay, involved 820 new dwellings and approximately 200 aged care facilities (self care and high care) on a 34 hectares 'brownfield' site. An additional eight dwellings were negotiated for affordable housing. During the master planning process Council negotiated with the state government developer Landcom, for one per cent of all dwellings to be provided as an onsite affordable housing contribution. The configuration of these dwellings included a one bedroom apartment, five two bedroom units and two three bedroom dwellings. The affordable housing dwellings are situated across the site to promote social mix. A Development Control Plan for the site incorporates affordable housing objectives and provisions devised through the master planning process.

Council is currently finalising an overarching affordable housing policy and strategy. The objectives of the Randwick LEP were amended on 19 August 2005 to reflect the "provision of housing mix and tenure choice, including affordable housing", and to "encourage the retention of affordable housing in a variety of types and tenures". The plan also promotes a mix of housing types to encourage housing affordability within the aims of specified land-use zones; and specifically requires masterplans for sites larger than 4,000 square metres to address "provision of housing mix and tenure choice, including affordable housing". Clause 34 of the Randwick LEP seeks to protect boarding houses.

A new plan for the collection and use of developer contributions in Randwick came into effect in July 2007. This plan encompasses the use of planning agreements as an approach within Council's development contribution framework. However, Council is currently undertaking a LEP review in line with the new NSW standard instrument

requirements. As the standard instrument does not allow for master planning provisions, the trigger for seeking an affordable housing contribution in Randwick may be in jeopardy.

Planning for affordable housing in Randwick is supported by the Randwick City Plan (a strategic rather than statutory document), and the Inner East Regional Housing strategy, which aims to encourage and promote the provision of affordable housing within the respective Local Government Areas (LGAs) of Waverley, South Sydney, Marrickville and Botany Councils. The strategy was prepared with other local councils as part of the 'Inner Eastern Regional Housing Group' (a regional collaboration funded by the Local Government Housing Initiatives Program in 2003) to develop and implement a regional housing strategy and employ a Regional Housing Coordinator. In November 2005 a Memorandum of Understanding was signed between Randwick Council and NSW Department of Housing to support the local housing program.

In reviewing the success of planning initiatives at Randwick, interviewees noted the achievement of 15 dwellings worth \$10 million plus in value. However, they also noted the significant work involved in acquiring the units. Interviewees also felt dismayed by the scale of their achievements, which will benefit 15 households in relation to the estimated 125,000 residents of the regional area who remain in housing stress. However, respondents anticipate that over time the growing asset base may provide a basis for council to introduce strategies benefiting a larger proportion of people in housing need.

Consistent corporate support and expertise, and sufficient time for affordable housing requirements to be addressed at the beginning of the planning process, have been important in securing affordable housing contributions in Randwick according to the local government representatives interviewed. Another important factor has been the capacity to justify planning incentives and concessions for affordable housing and to gain local community and political support for these initiatives. On the other hand, the voluntary agreement scheme as currently conceived is triggered by large scale development sites over 4,000 m² and Randwick does not have many of these sites remaining. The lack of real incentive for the developer to provide affordable housing given the voluntary nature of contributions is also a concern.

3.2.7 Case study 4: Gosford City Council – protecting caravan parks

Gosford local government area is the administrative and historic heart of the Central Coast on the northern reaches of Sydney's greater metropolitan region. It has an estimated resident population of 162,017 (ABS 2007). Gosford and the adjoining local government area of Wyong have absorbed significant population growth over the last decade. Many new residents have been attracted to the area for lower priced housing within commuting distance of Sydney. Many of the lower cost rental accommodation, particularly caravan parks, has provided an important source of housing for vulnerable low income households including retirees.

As new development sites have decreased, existing urban areas are being intensified and redeveloped. Caravan parks, which contain a significant proportion of low cost and retiree accommodation in Gosford, are at particular risk of redevelopment. In 2004 Gosford City Council introduced a planning requirement that seeks to protect or offset the loss of caravan parks and manufactured home estates (*Gosford Local Environmental Plan 443 (Protecting Caravan Parks)*). While the protective mechanism has survived a legal appeal in the NSW Land and Environment Court, it is unclear whether it will continue in the transition to the NSW standard local planning instrument, which does not currently include provisions for the protection of low cost

rental accommodation such as caravan parks and manufactured estates. In evaluating the effectiveness of this mechanism, local government respondents reported its main value is as a deterrent to the redevelopment of caravan parks.

3.2.8 Case study 5: Byron Shire Council – non metropolitan approaches to affordable housing

Byron Shire Council is situated within the Northern Rivers region on the far north coast of NSW. It has an estimated resident population of 30,635 (ABS 2007) and a highly transient population of temporary workers and tourists. The Shire extends beyond Byron Bay, to 556 square kilometres of lush rural hinterlands and small villages. About 30 per cent of the Shire lives in these rural areas. As a significant proportion of 'rateable' properties are owned by people whose principle address is outside the shire, a high number of residents rent. Further, as a significant proportion of housing stock in Byron is available for short term holiday rental, visitors compete with residents for rental accommodation. The tourism industry itself generates a need for affordable accommodation for employees.

Caravan parks are major providers of affordable housing for residents in Byron Shire, but also come under pressure as their primary function is to provide short term accommodation for visitors. Byron has a critical need for more accommodation for seniors and those in need of supported care (waiting lists for public housing are between 9 to 12 years). As for many non metropolitan lifestyle regions, transport is a critical issue, with limited public transport servicing the town centre and rural hinterlands, meaning that lower cost housing options in the hinterlands are inaccessible to those without the capacity or means to drive a car.

Byron's natural environment is both well recognised and highly fragile. Managing the environmental impacts of growth is a major issue and a moratorium restricted development until June 2006, when sewerage upgrade works were completed. The moratorium had prohibited subdivision and residential development in excess of one dwelling per existing allotment, effectively reducing potential residential land supply during a period of sustained housing demand.

Byron Shire adopted an affordable housing strategy in 2002. The strategy proposes incentives to promote lower cost housing forms, like medium density and dual occupancy housing, garden flats, caravan parks, manufactured home estates and relocatable homes. It also canvases ideas such as shared living and working places, self-build housing, eco villages and co-housing. Specific planning concessions envisaged for dedicated affordable housing projects include development application fee waivers for affordable housing projects, and the inclusion of affordable housing provisions in planning instruments (Byron Shire 2002).

Arising from the strategy, council has established an Affordable Housing Advisory Committee (including councillors, council officers and community and industry representatives). The council has also pursued partnerships with community housing partners in the region. To facilitate social housing provision, *Development Control Plan 2002 – Residential Densities in Byron Bay, Suffolk Park and Sunrise Beach*, allows the Department of Housing or its agent to alter density on any block they purchase for the purposes of public housing. This has not yet been taken up, primarily due to the historical sewerage moratorium. The council has also worked together on a regional basis with seven surrounding councils to address affordable housing needs in the northern rivers.

A Draft Byron Bay LEP prepared in 2005 included an affordable housing clause but was abandoned when the state government announced the shift towards a standard instrument for NSW. Council is now working towards incorporating affordable housing

provisions within its new comprehensive local environmental plan, to be prepared in line with the standard instrument. It is also drafting a Planning Agreement Policy for securing affordable housing contributions.

A test case of the use of planning agreements and concessions emerged in 2005, when the council received a proposal involving an affordable housing component, on the last major under developed site on the edge of the Central Business District. Currently the site provides affordable accommodation for approximately 45 persons in six existing rooming houses and self contained flats. Council's contribution comprised a 4.2 per cent density concession over whole site to be concentrated on the Boarding House site; a site occupancy bonus to enable 132 residents; \$6,000 grant in lieu of against development application fees. There were also some parking and possible layout concessions subject to final development application and community responses.

While Council has supported the proposal in principle, to date it has not proceeded, and negotiation around the final amount of contribution and the way it will be paid is continuing.

Council's housing activities have been supported by periodic state government funding, a dedicated affordable housing officer position, and an affordable housing advisory committee (including industry representatives, councillors and community). Collaborative relationships and participation through a regional Council network and support through the not for profit 'Northern Rivers Social Development Council' have helped keep affordable housing on the agenda.

However, outcomes have been constrained by the high cost of land in Byron Shire, fluctuating political commitments towards affordable housing within Council, and a lack of council land or assets for affordable housing projects. The lack of State and Federal government support for local affordability initiatives or for the provision of affordable housing, and particularly the lack of guidelines for incorporating affordable housing provisions in the new local environmental plans, are all perceived as limiting factors by local planners.

3.2.9 Summary of NSW experience

In summary, all of the local government interview respondents in NSW emphasised the need for State policy and legislative support to successfully implement affordable housing approaches within their planning framework. The absence of a strong State planning framework to support affordable housing was a significant limiting factor within their own jurisdictions. To address this absence, most had begun to develop comprehensive policy frameworks at the local level, and in the case of Byron and Randwick shires, across the regional level as well. Despite the lack of strong State policy and legislation for affordable housing, dedicated State government resources for local housing initiatives have been important in developing the approaches documented here. Access to staff with particular expertise in development finance, land and housing policy was noted, and the Centre for Affordable Housing potentially fills an important function when this expertise is not available within council. Many interviewees emphasised the need to understand the value of planning bonuses and concessions to enable effective negotiation.

At the same time, the administrative costs associated with negotiating for affordable housing contributions on a case by case bases are high, particularly given that negotiations may ultimately break down. This is well demonstrated by the Byron case where negotiations over an important site have been ongoing for a number of years but are so far unsuccessful. Such experiences point favourably towards mandatory

requirements for affordable housing that are known up front and applied in a consistent way.

Finally, it appears that the greatest leverage in terms of affordable housing contributions in NSW has been secured on high value redevelopment sites, during the process of masterplanning. This demonstrates the need to have an affordable housing policy framework in place before large scale redevelopment processes commence within a local area, otherwise significant opportunities to preserve or secure new affordable housing may be lost. This is an important consideration as local plans to implement metropolitan and regional housing targets are being completed across the state.

3.3 Queensland

Land use planning and development are now recognised as critical to housing outcomes under Queensland's *Housing Affordability Strategy* (released in mid 2007). The Strategy aims to deliver "an efficient planning and development system; an improved supply of land for development; a more efficient use of existing urban land; and, simple, standard and transparent infrastructure charging" (Queensland Government 2007b, p.2). It introduces the Urban Land Development Authority to undertake "land use planning, land amalgamation and acquisition" on behalf of the Queensland government, for later sale to the private sector. Conditions of sale may require contributions of affordable housing or other related requirements. The Strategy's priority is to meet housing needs in high growth areas and five major inner city and regional sites have already been identified (Wolloongabba, Bowen Hills, Northshore Hamilton, Fitzgibbon and Mackay Showgrounds). More sites will be identified in the future.

The strategy also commits to identifying potential Greenfield sites within the articulated urban footprint area of the rapidly growing South East Queensland region, to bring residential land on line ahead of currently identified schedules. It seeks to improve monitoring of land and housing prices and to assess land fragmentation and availability for development, across all high growth areas of the state. To reduce development holding costs due to delays (estimated between \$15,000 to \$20,000 per dwelling), the Affordability Strategy includes commitments to change planning legislation for greater speed and efficiency, particularly in high growth areas and to simplify planning process requirements for smaller scale proposals.

Queensland's system for infrastructure charging requires local councils to develop Priority Infrastructure Plans (PIPs), outlining infrastructure provision arrangements and charging schedules. Delays in completing these plans have meant uncertainty for developers unable to determine likely costs in advance of land acquisition. The Affordability Strategy anticipates a standard infrastructure charging schedule for councils who do not have completed PIPs by June 2008, and will set out requirements for the advertising and phasing in of new charging schedules.

3.3.1 Planning framework in Queensland

There are no direct provisions for affordable housing within Queensland's main planning legislation, the *Integrated Planning Act 1997 (IPA 1997)*. However, in promoting "ecological sustainability", the Act refers to the creation and maintenance of "well-serviced communities within affordable, efficient, safe and sustainable development" (s1.3.6(c)). The *IPA* is currently under review by the State government. Among the changes foreshadowed are simplification of planning approval processes, and the introduction of standard local planning scheme provisions, including

definitions, zones, infrastructure requirements, and some development assessment codes (Queensland Government 2007b).

Queensland's State Planning Policy for Housing and Residential Development (released in January 2007) encourages local councils to undertake housing needs assessments and reduce barriers to housing diversity in local schemes. Ways to reduce land and building costs of housing by introducing graduated planning standards are also outlined. The graduated standards promote different requirements for allotment sizes, private open space, and car parking in response to different dwelling sizes and types, and so are intended to reduce building costs for more modest housing. The State Planning Policy for Housing and Residential Development applies when higher growth councils prepare new local planning schemes or amend existing schemes. It is supported by the Affordable Housing Design Guidelines (QLD Department of Housing 2004). The guidelines define affordable housing as "appropriate to the needs of low income households in terms of design, location and access to services and facilities", and where "rent paid by households in the lowest 40 per cent of income units does not exceed 30 per cent of gross household income after any applicable Commonwealth Rent Assistance is deducted" (p.2). The guidelines cover the design and assessment of such housing.

The *South East Queensland Regional Plan (2005-2026)* includes a number of policies relevant to affordable housing. The plan has statutory weight and local planning schemes and development approvals must be consistent with its provisions. However, its commitments are general in scope. It seeks to promote affordable housing within all major new development and redevelopment, including the entry buyer and low-income housing markets. Local councils should consider measures for providing and retaining affordable housing when preparing strategies for growth management, and affordable housing should be considered when government property and surplus land is being disposed (OUM 2005, p.8.4.2-6). Housing access and affordability are included as indicators that will be used to measure the performance of the Regional Plan.

Both Brisbane and the Gold Coast have relatively recent planning schemes consistent with the introduction of IPA in 1997. Although containing different nomenclature and structure, both plans contain strategic level provisions that recognise, albeit in a limited way, affordable housing as a legitimate planning concern. Brisbane City Council is at the stage of implementing these strategic provisions via its development assessment policies and processes. The Gold Coast City Council is yet to implement its affordable housing provisions but is currently formulating supporting development assessment policies and practices.

3.3.2 Case study 6: Brisbane City Council – graduated standards for low cost housing

Brisbane is Australia's third largest capital city (1.824 million in 2006) and recorded the largest rate of capital city growth between 2001 and 2006 (2.2 per cent per annum) (ABS 2007). The governance structure for Brisbane city is relatively unique in Australia as the city council stretches across a very large metropolitan area combining inner city, middle ring and outer ring suburbs. Brisbane's City Council has supported a number of initiatives to promote and retain affordable housing, particularly within inner city suburbs affected by gentrification (Gurran 2003). Planning interventions include local scheme objectives relating to the promotion and retention of affordable housing, protective measures for boarding houses, and a framework for incentives to support affordable housing development. Statutory covenants have been used in

Brisbane to implement affordable housing agreements reached through the planning process.

The Brisbane City Plan 2000 (BCC 2000) includes objectives and provisions relating to affordable housing, for implementation across the city and within specific local areas. The actual implementation of affordable housing is achieved via development codes that make specific provision for the approval of affordable housing. Implementation via this method is reliant on development incentives and negotiation. In the absence of IPA provisions enabling councils to secure developer contributions for affordable housing, Brisbane City Council has opted to use statutory covenants to obtain agreed contributions.

Brisbane has a significant delivery mechanism to support the development and management of affordable housing. The Brisbane Housing Company was formed in 2002 with initial funding of \$50 million (over four years) from the state government and \$10 million (over four years) from the Brisbane City Council. Both the Government and Council are ordinary shareholders and there are a range of community shareholders, ranging from the Queensland Community Housing Coalition to the Property Council of Australia, the Planning Institute of Australia and the Bank of Queensland. Completed projects include boarding houses, studio units, and one, two and three bedroom apartments, in suburbs across Brisbane. By June 2006, the Company held 372 completed units, with 208 in construction and a further 221 at advanced design stage. The portfolio is anticipated to exceed 900 units in the near future (Brisbane Housing Company 2007). The existence of a not for profit housing developer provides strong rationale for including incentives for affordable housing within Brisbane's statutory planning framework. The IPA framework however also provides a streamlined assessment process for social housing developers (Eastgate, pers comm Dec 2007).

General affordability provisions in the Brisbane City Plan 2000

Affordability provisions in the Brisbane City Plan 2000 are summarised in Table 3.1 (over page). The plan recognises affordable housing as an important desired environmental outcome, under the broader goal of enhancing social diversity, choice and accessibility. The plan seeks to promote "housing diversity and affordability – a wide range of housing types and tenures across the City to meet the affordability, life cycle and lifestyle needs of different households." (BCC 2000, ch.2 p.6). The plan also acknowledges the need for an efficient supply of residential land and housing, in the context of the City's anticipated rapid growth, and seeks to "encourage affordable housing through the retention or provision of low cost housing, special needs housing and caravan parks" (BCC 2000, ch.2 p.16).

Provisions to protect certain types of affordable housing, such as boarding houses, are contained within the City Plan's development codes. Development incentives intended to support 'low cost housing' are also specified in planning codes (City Plan uses the terms 'low cost housing' and 'affordable housing' on an interchangeable basis).

The City's demolition code protects heritage as well as "low cost housing in the form of boarding houses." (BCC 2000, ch.4 p.70). Performance criteria state that if the application relates to a registered boarding house and the Council is of the view that demolition will substantially affect the stock of low cost housing or special need accommodation, the development should not proceed.

Residential design development codes set the physical parameters of various types of residential development. "Affordable housing outcomes" are promoted by enabling "development bonuses" in the form of density and car parking concessions. "Low cost

housing” may be eligible for these bonuses “but only if it does not compromise amenity” (BCC 2000, Performance Criteria 23). Proposals will meet this criteria if “accommodation provides lodging for permanent residents or is administered by a housing cooperative, a Government or Council agency or charitable organisation to provide low cost, special needs housing or aged care accommodation for at least 10 years” (BCC 2000, Acceptable Solution 23). Height and setback requirements still apply but “the plot ratio of low cost and special needs housing may exceed the plot ratio applicable to the multi-unit dwellings in the area and on-site parking may be less than otherwise stated” in the general residential design code (BCC 2000, ch.5 pp.173, 184,194 and 196n).

Council approval of an affordable housing project relies on its assessment of general planning issues focusing on local amenity; and ensuring that the development is used and continues to be used as affordable housing. Statutory covenants have been used to ensure that affordable housing produced through the planning system is preserved on an ongoing basis, as illustrated in the Ferry Apartment development described below.

Affordable housing provisions in local plans

Brisbane City Council recognises the diversity of its local suburbs and neighbourhoods and has undergone an extensive process of local planning. Plans for parts of Brisbane have been prepared and adopted across 57 localities to date, providing detailed guidance on development outcomes for particular localities (BCC 2000, ch.4 p.3). Many of these local plans include provisions relating to the retention and provision of affordable housing (Table 3.1). Provisions relate to density concessions for low cost housing (*New Farm and Teneriffe Hill Local Plan*); and considering affordable housing during redevelopment (Bowen Hill, Bullimba, East Brisbane/Coorparoo, Kelvin Grove, Stephens and Walter Taylor South District local plans). The affordable housing focus of outer area local plans is mostly on the protection of existing caravan parks. A number of the local plans describe caravan parks as making an important contribution to affordable / low cost housing in the City. For instance the suburb of Aspley contains the following provisions relating to caravan parks:

The existing caravan parks will be maintained as providers of a significant amount of affordable housing and short-term tourist accommodation ...

The caravan parks provide a significant amount of affordable housing and short term tourist accommodation for the district, which should be maintained at current levels... (BCC 2000, ch.4 p.262a & b).

Similar provisions to support the retention of caravan parks are also contained in the local plan for Dolandella (BCC 2000, ch.4 p.316b) and Wynnum West (BCC 2000, ch.4 p.371).

Table 3.1: Summary of affordable housing provisions in the Brisbane City Plan 2000 (BCC 2000)

<i>Plan section</i>	<i>Type of approach</i>	<i>Provision</i>
Desired Environmental Outcomes (city wide)	Affordable housing objectives	Goal seeks to promote housing diversity, affordability, efficient supply, retention and provision of low cost housing, special needs housing and caravan parks; throughout the city.
Demolition code (selected areas)	Protective mechanism	If demolition might substantially affect supply of low cost or special needs housing, should not proceed.
Performance criteria (City wide)	Incentive for affordable housing; graduated standards	Density and car parking concessions for eligible low cost housing, subject to amenity assessment
New Farm and Teneriffe Hill Local Plan	Affordable housing goal	Maintain diverse mix of housing and encourage retention and provision of affordable housing.
	Graduated standards	Increased density for low cost housing
Bowen Hill Local Plan (development principles) Fortitude Valley Local Plan	Affordable housing goal	Diverse housing mix and retention and provision of low cost housing
Bullimba Local Plan	Affordable housing goal (site specific)	Redevelopment must include mix of housing and consider affordable housing
East Brisbane / Corparoo, Stephens District, Walter Taylor South District local plans	Principle for development / redevelopment	Redevelopment of non residential land for residential purposes should consider need for affordable housing
Aspley, Dolandella, Wynnum West local plans	Development principles	Recognition of important role of caravan parks in maintaining low cost accommodation, and need to maintain this.

Source: The Authors

Example: Ferry Apartments development and the use of statutory covenants

An affordable housing development at Ferry Road, West End – known as ‘Ferry Apartments’ – demonstrates the use of Brisbane City Council’s incentives approach in conjunction with the use of a statutory covenant for implementation. The development consists of 75 bedrooms, with bathrooms, toilets, kitchens and balconies shared between a maximum of four households. Concessions granted to the developer during the project approval in 2007 included:

- A car parking concession, with only three car parking spaces required instead of the usual 41 for a development of this scale;
- A density concessions to enable 179 per cent coverage of the site area, where 80 per cent is the maximum under the Medium Density Code;

- Relaxed planning standards relating to balconies, which are between 10 to 20m², with a maximum width of 2m, where the minimum is generally 35m² with a minimum width of 3m; and in relation to setbacks (the side boundary setback is 2m where it would normally be required to be 3m; and the rear boundary setback is 2m to the balconies and 3m to the building walls where 6m would normally be required).

Brisbane City Council relies on statutory covenants to ensure that proposals are actually developed and used for affordable housing. The statutory covenant was made between the Brisbane City Council and the developer for the Ferry Apartments. It sets arrangements for the term of the covenant (in this instance 20 years), including: a description of the purpose of the covenant, being the provision of affordable housing; sections acknowledging any relaxations granted by the Council (e.g. floor area, onsite parking spaces, etc.), and that these relaxations have been granted on the basis that the development is used for affordable housing; and requirements for an Affordable Housing Management Plan.

One of the main concerns of potential affordable housing developers is the duration of the covenants that are placed on their land. The existence of a covenant is perceived as having adverse implications for land values and saleability. The Queensland legislation is silent on the duration of covenants. The implication is that if a timeframe is not set, the covenant will go on indefinitely; or the parties can negotiate a set timeframe. Brisbane City Council has recognised this as an issue and, as an added incentive to the developers, included a time period beyond which the covenant lapses. This practice raises the issue of the fate of the affordable housing after the covenant is extinguished.

A requirement of the statutory covenant is that the covenantor agrees to an Affordable Housing Management Plan. Brisbane City Council has developed a standard Affordable Housing Management Plan for affordable housing projects. The management plan provides additional detail on what purpose and on what basis the development is to be used, including appropriate community housing managers, eligibility criteria for tenants, rent setting and planning incentives to support the development.

Box 3.1: Statutory covenants in Queensland

Covenants are commonly used by developers, landowners and governments to regulate the use and nature of development on land. The term 'covenant' is used to mean an obligation affecting the right of a landowner to use their land. Covenants can be either positive or negative in nature (Butt 2006, p.495), requiring an act to be done or an act not to be done.

The use of statutory covenants has arisen in Queensland as State planning process and legislation does not expressly allow for the local government to directly include requirements for affordable housing in development approvals. No powers exist for Council to collect monetary contributions for affordable housing or compel developers to actually provide affordable housing. Affordable housing can only be achieved subsequent to negotiation and with the consent of the developer. However, planning schemes may allow for negotiated incentives to facilitate affordable housing outcomes, with a voluntary agreement between the Council and the developer/land owner. To guarantee, or enforce these negotiated outcomes it has been necessary to rely on a mechanism that operates outside the planning scheme, i.e. statutory covenants (Mertens 2006, p.41).

A statutory covenant is a voluntary agreement entered into in writing, whereby either party promises to perform or give something to the other, or to abstain from performance of certain actions (Statutory Covenants Working Group 2003, p.5). A statutory covenant must be between a statutory authority and a land owner. Statutory covenants are not planning instruments themselves. They are a legal instrument to secure a voluntary planning agreement between a statutory authority and developer/land owner. The covenantee (i.e. the

party with the benefit of the covenant) must be the State or a local government. Covenants thus provide the Brisbane City Council with an instrument to secure affordable housing outcomes subsequent to negotiations with a private developer (Mertens 2006, p.42) as they create a legal obligation for the developer to provide and maintain the approved affordable housing.

The IPA 1997 (as amended in 2000) states that where a planning scheme exists in relation to a covenant area, the covenant is of no effect to the extent that it conflicts with the planning scheme (IPA s 2.1.25). When a statutory covenant is entered into in connection with a development application, the covenant is of no effect unless it is entered into as a requirement of a development approval for the application (IPA s 3.5.37). Effectively, a covenant cannot be inconsistent with a planning scheme, nor a development approval (Queensland Government Crown Law 2003, p.12). However, this provision only applies where a covenant is entered into in connection with a development application (Queensland Government Crown Law 2003, p.13).

Other Brisbane City Council initiatives

Brisbane City Council has implemented several additional planning initiatives to assist affordable housing. Council reimburses 50 per cent of relevant infrastructure charges, 100 per cent of planning application fees; 25 per cent of general rates and 15 per cent of pedestal charges for affordable housing developments (Mertens 2006, p.45). The Council also provides early sealing of survey plans for residential developments. This allows the title for the various units to be sold without the building being constructed, enabling finances to be secured prior to construction.

Review of outcomes

Brisbane City Council currently keeps no public records on the number of affordable housing units achieved via the planning scheme or secured by statutory covenants. However, the existence of a strong and viable affordable housing developer and a clear statutory planning framework containing explicit goals to promote low cost housing development, is likely to build outcomes over time. The 'Ferry Apartments' development, which yielded 75 lower income units, suggests that the model is proving attractive to private developers, particularly those interested in alternative housing forms such as hostel or boarding house accommodation. The statutory covenant approach has enabled the Council to implement these affordable housing agreements without needing further legislative change at the state government level.

The model would be strengthened by a clearer definition of affordable housing and more consistent application of affordable housing provisions throughout the City Plan. The capacity to negotiate around the performance criteria within the development codes means greater flexibility but also extends the time and uncertainty associated with negotiation. The statutory covenant process also adds a time consuming element and may have financial implications for the value of the land in subsequent transactions. The issue of what happens to the affordable housing once the covenant expires is not resolved, and at this point there is no guarantee or expectation that the use for affordable housing will continue beyond the life of the covenant. This may depend on the physical layout and design of accommodation being conducive to the stock remaining in the low cost rental housing sector. The affordable housing management plan requirement provides certainty that the development will be managed by a suitably accredited community housing association ensures the project is managed appropriately. Yet developers view this requirement as a further encumbrance and are generally uncomfortable to hand responsibility for their development to a community group. Some concern has been expressed that if the approach becomes successful or more popular, there may not be sufficient capacity in the community sector to manage all developments.

3.3.3 Case study 7: Gold Coast City Council – new delivery models for affordable housing development

The Gold Coast is one of Australia's fastest growing local government areas with a very high year round international and domestic tourism population. The Gold Coast planning scheme came into force in 2003 and contained a number of strategic and policy provisions to address affordable housing. The issue of higher accommodation costs in the city has received much local media attention, with particular focus on impacts upon lower paid workers who are essential to the local tourism industry. Declining housing affordability is increasingly seen as a potential constraint to the city's economic development. Council's 'Social Planning and Research Branch' has a long history of research into housing issues in the City.

Echoing the Brisbane model, the Gold Coast Housing Company was formed in 2006 as a not for profit housing developer and manager. Funding assistance was confirmed in 2007, with \$3 million from the Gold Coast City Council over three years leveraging a further \$15 million from the Queensland Government. This will provide an important delivery model for new and affordable housing development on the Gold Coast, including new affordable housing opportunities created through planning.

The Gold Coast Planning Scheme identifies, as a desired environmental outcome of the plan, "the provision of a range of diverse housing choice, including affordable housing, that is responsive to the changing demographic structure of the City's population and promotes equity in access to goods and services" (GCCC 2003, Part 2, Division 1, p.13). This is supported by a number of more specific planning objectives; including "the overall distribution of public housing in a manner that encourages social mix and results in the integration of public and private housing"; encouraging "redevelopment in areas of social disadvantage, poor residential amenity or environmental quality, to create quality living areas" and facilitating "a range of affordable housing options in suitable locations throughout the city".

These objectives are to be achieved through provisions of the planning scheme relating to the residential 'domains' (equivalent to areas or zones) and specific areas of the Gold Coast (Beenleigh Town Centre, Broadbeach, Burleigh, Chevron Is, Coolangatta, Coomera, Helensvale Town Centre, Hope Island, Mudgeeraba Village, Nerang, Palm Beach, Paradise Point, Robina, Surfers Paradise Local Area Plans) (GCCC 2003, Part 2, Division 1, p.13).

Specific development codes for Aged Person Accommodation, Attached Dwellings, Detached Dwellings, Family Accommodation, High Rise Residential and Tourist Accommodation, Low Rise Apartment Building, Relocatable Home Park and Reconfiguring a Lot are also intended to reinforce the overall affordability objective, although they contain no direct affordability requirements or incentives.

The Gold Coast Scheme incorporates a discrete Housing Strategy applying across the entire city. The strategy aims to "ensure the available housing choices are consistent with the needs of existing and future residents", including "an appropriate mix of dwelling types for the total population; aged and disabled accommodation; group homes, crisis centres and rehabilitation centres; youth, young adult housing and temporary accommodation; and affordable housing." (GCCC 2003, Part 3, Division 2, p.21). The Strategy emphasises that affordable housing should be well located and promote social mix and cohesion: "In terms of social cohesion, affordable housing options should not be relegated to the most inaccessible, or least desirable locations of the city. Instead there should be some provision for affordable housing in a majority of neighbourhoods and suburban areas" (*ibid.*, p.23).

Embedding the housing strategy within the planning scheme provides a strong expression of Council's commitment to affordable housing and intention to seek opportunities for new low cost housing development, although there have been no affordable housing projects to directly arise from these provisions. Council has resolved to review and amend the planning scheme to more directly address affordable housing and promote the use of development incentives to facilitate affordable housing. Provisions to address the impact of new development on existing stocks of low cost housing are also being considered.

The Council is also considering a new planning scheme policy with the provisional title of "Managed Affordable Housing" (GCCC 2007a). The draft policy requires a mix of dwelling types and sizes across the city and would provide a basis for the use of development incentives (e.g. additional floor area and reduced parking requirements) to achieve "managed affordable housing" defined as "any housing that is managed by a housing cooperative, government or Council agency, or charitable organisation, for the purposes of accommodation for households in need." The draft policy describes affordable housing as "Housing occupied by households comprising the lowest 40 per cent of income earners not spending more than 30 per cent of their income on housing costs" and discusses locational and design and amenity requirements for affordable housing. The policy specifies that the affordable housing development must be managed by a recognised affordable housing provider, and requires that the development be used for affordable housing in perpetuity. It foreshadows that Council may seek a covenant to guarantee that this will be the case.

The council is also considering a planning scheme code specifically for this 'Managed Affordable Housing', with detailed provisions on location, density, scale, onsite facilities, and landscaping (GCCC 2007b).

3.3.4 Summary of Queensland experience

Affordable housing policy and practice in Queensland is in a process of transition, with significant state government initiatives around land supply and government facilitation of affordable housing. Local government practice is limited, but the Brisbane City Council has extended experience in developing affordable housing goals and levers to encourage and support the low cost housing sector (Table 3.1, previously). There is evidence that density and parking concessions used by Brisbane City Council may make low cost rental housing development a more viable proposition for private developers. The use of statutory covenants to secure such housing within the low cost sector has provided a legal model for implementing affordable housing commitments in the absence of equivalent provisions within planning legislation. A viable community housing sector to manage the housing is critical, and the existence of a strong, locally based affordable housing provider, the Brisbane Housing Company has given momentum to the affordable housing goals of Brisbane City Council. This model is likely to be replicated with the establishment of the Gold Coast Housing Company.

3.4 South Australia

Using the planning system to provide for affordable housing falls within the broader housing reform agenda of the South Australian government. This agenda was initiated with the release of the Housing Plan for South Australia in 2005, which included targets of 15 per cent affordable housing in all new development, five per cent of which is for households with high needs. To implement these targets, a series of changes to planning legislation have commenced, with amendments to South Australia's *Development Act 1993*. The Act, which governs plan making and development assessment in South Australia, now aims to "promote or support

initiatives to improve housing choice and access to affordable housing within the community” (s3(ea)) and explicitly enables local development plans to provide for the procurement of affordable housing within the community (s23(3)(a)).

The South Australian Affordable Housing Trust was established in mid 2006 to implement many of the objectives of the South Australian Housing Plan. Within the Department of Families and Community Services, and supporting the work of the new Trust, the Affordable Housing Innovations Unit has provided a vehicle for the development of new affordable housing rental and home ownership initiatives targeted to low and moderate income households. It has also played a lead role in implementing changes to planning legislation and in providing resources and information for local councils to assist them in assessing and planning for housing needs, particularly the need for affordable housing.

3.4.1 Planning framework in South Australia

The inclusion in July 2007 of affordable housing provisions in the *Development Act 1993* clarified that local development plans may address affordable housing and provide for it when development is assessed. This provides the legislative support necessary for local strategic plans and development plans to make explicit provisions for the affordable housing targets set out in the *Housing Plan for South Australia (2005)* and the *South Australian Planning Strategy* (which comprises three documents applying to metropolitan Adelaide, the outer metropolitan Adelaide region, and regional South Australia).

However, amendments to local development plans are still required to implement these provisions, via the following process. The local council, or the state government, must first prepare a draft amendment to the Development Plan via a ‘Plan Amendment Report’, including the affordable housing requirement. (When the Minister initiates this process it is known as a ‘Ministerial Plan Amendment’.) It is likely that this amendment would be associated with the rezoning of a site to enable residential development. Secondly, the Minister for Planning must then approve the amendment. At the time of writing, no Development Plans had yet been amended through this process, although amendments to the Charles Sturt Development Plan have been foreshadowed in relation to the Cheltenham Racecourse redevelopment site (discussed below).

3.4.2 Certification

The South Australian Affordable Housing Trust (SAAHT) is responsible for certifying whether projects meet affordable housing targets. Certification must be submitted by developers as part of the broader development application to the relevant planning authority. If their project is approved, a Land Management Agreement (or equivalent) must be made with the State to secure their affordable housing commitments. This agreement is recorded on the land title and can bind subsequent owners.

Defining affordable housing and high need housing is critical to the certification and implementation of proposed projects. Affordable housing is specified by notice under regulation 4 of the *South Australian Housing Trust (General) Regulations 1995 – Determination of criteria for the purposes of the concept of affordable housing*⁴. This is updated annually in August.

There are three criteria in determining if a development meets the concept of affordable housing:

⁴ http://www.governmentgazette.sa.gov.au/2007/september/2007_067.pdf

1. It is to be offered for sale at or below the appropriate price points (see GAI below), and
2. It is offered for sale to eligible buyers, and
3. It is subject to a legally binding agreement to ensure these requirements are met.

The criteria is updated annually and reflects the nationally agreed approach to describing affordable housing under the Framework for National Action on Affordable Housing (HLGPM 2005). Price points for affordable housing are specified annually, although prices below these benchmarks are encouraged (Table 3.2, below). The price points are derived from the 'General Affordability Indicator' (GAI) which specifies that mortgage or rents should be less than 30 per cent of gross household income (including any income from Commonwealth Rent Assistance payments).

Table 3.2: 2007/08 South Australian affordable housing purchase price points

<i>Region</i>	<i>Household income level</i>	<i>Price point</i>
Metropolitan Adelaide	Moderate	\$213,000 (purchase)
	Low	\$227 per week (rent)
Regional South Australia	Moderate	\$181,000 (purchase)
	Low	\$193 per week (rent)

Source: Government of South Australia 2007a

Assessment guidelines for affordable housing projects are issued by the Affordable Housing Innovations Unit (Government of South Australia 2007a). The guidelines enable the developer to select from a range of approaches to achieving up to the 15 per cent affordable housing element. These might include “design and construction of simple, high quality homes, resulting in a lower market value (smaller homes on smaller lots); innovative home financing, such as soft second mortgages, deferred land purchase, shared equity or subsidised financing options, which makes the sale price within reach of low and moderate income buyers”; and, “assignment of a restrictive covenant/agreement on the property title providing some control over the sale and resale price of the property” (*ibid.*, p.3).

The Land Management Agreement will require that the new affordable housing properties, which may be land, or a house and land, must be “sold, rented or leased to either a prospective homeowner who meets the eligibility policy maintained by Housing SA or a registered housing agency that is subject to an affordable housing facilitation agreement with the South Australian Government” (Government of South Australia 2007b, p.4). The guideline also stipulates requirements for the design, sequencing and marketing of the affordable housing.

The Department of Families and Communities Housing South Australia (DFC), which administers social housing programs, may identify new land release areas as appropriate locations for new high need housing opportunities. The Department may then indicate interest in developers including provision within their proposals for social housing rental programs or more specialised housing, like disability group sites (Government of South Australia 2007a, p.4). Information about any such requirements will be supplied when land is released. The expectation is for lots or completed housing to be purchased at “reasonable price”, through a housing agency or nominated non government housing provider. This contribution will be counted as part of the 15 per cent affordable housing target.

To ensure that the affordable housing is well integrated with the overall project, there are also provisions in the guideline for new affordable housing to be sequenced along

with the staging of surrounding development. The external appearance of affordable housing units should be similar to that of other dwellings, with comparable materials and finishes. Affordable housing developments must be situated in 'no less desirable locations than other allotments or dwellings to be developed on the land, and where possible, integrated across the development and not clustered together' (Government of South Australia 2007a, p.5).

3.4.3 Affordable homes property locator

The Affordable Homes website was launched on 29 August 2007 (www.propertylocator.sa.gov.au). A key component of South Australia's 'Affordable Home Ownership Initiative', the website lists properties available for sale at under \$250,000, which meets the affordability criteria for moderate and low income households. New homes listed on the website are offered exclusively to low and moderate income earners for 90 days. Former Housing South Australia rental properties are also offered a restricted basis to eligible low and moderate income earners for 30 days. Once the 15 per cent affordable housing targets are fully operational within new development areas, the website will provide an important mechanism for managing the sale of new affordable housing stock. The site ensures that low and moderate income earners are able to access available affordable housing as it enters the market, and provides protection against spirited inflationary pressure associated with investor competition. It also demonstrates the market viability of new housing units tied to affordable price points. Several private developers who have already produced entry level new housing at equivalent price points are also listing through the property locator (Lawson, pers comm).

The website includes links to the government's home lending agency 'HomeStart Finance', which has products to assist lower income earners into home purchase. The availability of financial products to assist lower income earners into home ownership (in other words, to purchase new homes procured through affordable housing strategies) is a critical component of the overall planning and housing strategies.

3.4.4 Planning for affordable housing in metropolitan Adelaide

The Planning Strategy for metropolitan Adelaide has an important role in local development planning and the residential land release program for the metropolitan region. Development plans must be consistent with the Planning Strategy, which supports the South Australian Housing Plan targets of 15 per cent affordable housing within "significant new housing developments", and seeks to ensure that all areas "identified in the Residential Metropolitan Development Program for redevelopment and regeneration address the potential impact on the supply of affordable and high need housing" (Government of South Australia 2006b, p.82). Thus the strategy does not impose a formal requirement for all local development plans to be amended to achieve a 15 per cent affordability goal in existing residential areas or zones. Rather, the Strategy operates in a guiding way requiring Councils to consider how these targets are to be achieved within their Council areas. In practice this may mean that these targets are included within plan amendments that enable significant new residential developments to proceed by increasing permitted housing density through a rezoning or other change in planning controls (Lawson, pers comm). The strategy seeks to encourage affordable and high need housing in locations that are "accessible to public transport and close to employment opportunities, appropriate services and activity centres" (Government of South Australia 2006b, p.82).

Incentives

The Planning Strategy for Metropolitan Adelaide also foreshadows the introduction of density concessions for projects meeting the 15 per cent affordable housing target. It is not intended to impose a mandatory 15 per cent housing target within existing residential areas not subject to significant redevelopment, however, local councils are encouraged to promote voluntary affordable housing development through the use of planning concessions (Lawson, pers comm). Guidelines for local development plans to include such incentives are being prepared by state government. As noted below however, some councils such as the City of Adelaide already allow concessions through their planning processes.

Government land disposal

The metropolitan strategy includes commitments to ensure that “land is made available for affordable housing, particularly for social housing agencies”; and for state and local governments to consider “affordable housing objectives” when their land is disposed. This latter objective is supported by a state government circular that requires state agencies to “take into account the need for any new development to conform with the *Housing Plan for South Australia*, in particular any applicable quota for affordable housing included in that plan” (Government of South Australia 2006a, para. 57). In practice this means that the 15 per cent affordable housing target must be considered at the point of land disposal. This is achieved by requiring potential purchasers to submit an outline of their development proposal, including how they intend to meet the affordability targets, to the South Australian Affordable Housing Trust. A letter from the General Manager of the SAAHT certifying that the proposal meets the affordable housing criteria then provides the basis for the sale to proceed at which time an affordable housing Land Management Agreement or similar will be signed with the proponent to secure the affordable housing commitment.

Statutory covenants for affordable housing in South Australia

Under recent changes to SAHT legislation, a covenant may be placed on the title of the land. This covenant preserves the affordability requirement in a broad way across the entire site until the detailed development plan is approved by the planning consent authority (which will often be the local council). Once the detailed development proposal secures approval, the covenant is altered to apply only to the housing allotments or units affected by the affordability requirement. The covenant obligations are then discharged when the housing is sold to an eligible purchaser or community housing provider. The state government is considering the application of covenants that preserve long term affordability (and protect against windfall gains) when high value homes are sold at an affordable price to eligible purchasers.

3.4.5 Local planning for affordable housing in Adelaide City

Adelaide City Council has a strong history of commitment to affordable housing and social mix within the city center. Concerned about rising property prices and rents within the inner city, and of the potential for sharp disparity between wealthy property owners and those in public rental accommodation, the City has sought to promote a range of affordable housing options for younger people and lower income city workers. Rather than use mandatory requirements through its development plan, the City has focused on the use of council land or resources to secure affordable housing projects, although some concessions around car parking requirements are available for social or affordable housing developers. The Adelaide City Development Plan also adopts a performance based approach so that developments demonstrating high performance in areas of key planning importance (such as affordability) may well receive concessions (Boyd, pers comm). The city has pursued a number of projects

on its own land or in partnership with the state government, including 'Sydney Place', which provides 12 affordable units for younger city workers on incomes between approximately \$20,000 to \$30,000; 'Whitmore Square', which was subject to an eco affordable housing design competition and will result in 28 units of affordable housing; and the 'Logan Street' development, to provide 20 per cent high need and 80 per cent affordable housing.

3.4.6 Case study 8: Balfours Bus Station, Adelaide City Council

As noted in the positioning paper to this project, the Adelaide Balfours / Bus Station site provides an interesting model for affordable housing planning and development. The Adelaide City Council purchased the bus station site as part of a deliberate strategy to more directly manage the redevelopment process, with affordable housing as a key objective. The Council then offered the site for sale and redevelopment through a competitive registration of interest process, calling for a major residential infill development incorporating quality public realm, a redevelopment of the existing bus station, replacement car parking and a requirement for 15 per cent affordable housing on site. The West Central consortium (Urban Construct/Multiplex) was selected in December 2003. The appointment of the developer was followed by more detailed planning and negotiation around the final design for the site and the amount and type of affordable housing to be provided. At the time of writing, the development was at completion stage. It includes 52 affordable housing units, of which 39 are to be purchased by state government and 13 retained by Council. A similar approach could be taken to surplus government sites.

3.4.7 Case study 9: Glenside Hospital, Burnside – mixed tenure redevelopment

Planning mechanisms to implement the State government's affordable housing target for new development feature in the redevelopment of the Glenside Hospital in the inner Adelaide City of Burnside. The Glenside Hospital site is owned by state government and its sale is governed by the land disposal policy, which supports the state's affordability target. Under the provisions of a Concept Master Plan released for the site in September 2007, 10 per cent of residential lots created as part of the redevelopment will be used for affordable housing for low and moderate income earners. Covenants prepared under the Statutes Amendment (Affordable Housing) Act 2007 will "ensure purchasers cannot sell these dwellings for windfall gains" (Government of South Australia 2007c, p.16). In addition to these units, there will be 20 units of supported accommodation for "mental health consumers" (Glenside Campus Concept Master Plan September 20 2007, p.16). However, local responses to the concept plan have not all been supportive (ABC SA 2007). It appears that resistance is motivated by concern that 'public housing' will be built in the area and that this could lower property values, although the international evidence shows that such fears are unfounded (Nguyen 2005).

3.4.8 Case study 10: Cheltenham Racecourse, Charles Sturt – mixed tenure requirements in local development plans

The extent to which the changes to the *Development Act 1993* provide a basis for the mandatory requirement of affordable housing within sites wholly owned by a private entity will be tested in the City of Charles Sturt with the proposed Cheltenham Racecourse redevelopment. This large, privately owned site requires rezoning from its current 'Open Space' designation to enable the sale of the site and its subsequent rezoning to allow residential development to occur. The South Australian government provided in-principle approval to the proposed sale and rezoning, subject to conditions relating to the retention of open space and the inclusion of 15 per cent affordable

housing in the future development of the area. A Ministerial Plan Amendment to the City of Charles Sturt Development Plan to enact the rezoning, including the affordable housing requirement was placed on exhibition, and the South Australian Jockey Club Incorporated, which owns the site, has already called for tender for the redevelopment opportunity, specifying the likely planning provisions, including for affordable housing.

3.4.9 Summary of South Australian experience

There are many interesting features of the South Australian experience. Firstly, the clear affordable housing target emanating from state government and supported through state housing and planning policy and legislation provides a strong basis for local implementation. Secondly, the consistent application of this target through the government's own land disposal policy provides an opportunity to test the model on government sites before extending it through local planning requirements, to private land. Thirdly, the model seeks to maximise new affordable housing supply outcomes while minimising costs to government of new high need and affordable housing development. This is achieved by introducing the planning obligation at the time of a residential rezoning, so the costs to the developer are able to be absorbed by the value uplift. Fourthly, the commitment to linking potential buyers to new affordable housing supply, through accessible information (the property locator) and the availability of a government finance product (Homestart Finance), enhances viability and certainty for the project. Lastly, the model is supported by ensuring that local government planning authorities understand and are able to provide for affordable housing through advice and assistance from the Affordable Housing Innovation Unit.

3.5 Victoria

The planning system is increasingly viewed as critical to housing affordability by the Victorian State Government (DHS 2006). There has been an explicit emphasis on overall planning system enhancements geared towards affordability, focusing on land release and reducing development costs through faster and simpler housing approvals (DSE 2006). The policy document '*Towards an Integrated Victorian Housing Strategy – A framework to address our future housing challenges*', released in September 2006, outlines key initiatives and presents a whole of government framework for housing policy and action. Overarching objectives of the framework include facilitating the efficient operation of the housing market, by keeping "the costs of housing production low to meet the needs of buyers and investors"; and ensuring "land supply continues to be sufficient to meet demand" (DHS 2006, p.6). Land supply targets include 25 years for designated growth areas in Melbourne, and 10 years in other parts of the state, with an additional five years available in the pipeline. Another objective is to "ensure housing and residential development supports the Government's wider social, economic and environmental sustainability objectives", by promoting choice in housing "type, tenure and cost", to "sustain a diverse local workforce" and to achieve "good housing and urban design to minimise negative environmental impacts and keep down costs for residents and the wider community" (DHS 2006, p.6). The policy seeks to avoid "concentrations of social disadvantage", for "cheaper housing" located "far away from available jobs", contributing to "traffic congestion, pollution, and greenhouse gas emissions" (p.6).

The framework is supported by administrative arrangements designed to better integrate housing policy, planning and urban development. An intergovernmental housing review board chaired by the Department of Premier and Cabinet coordinates input from Treasury, the Department of Planning and Community Development⁵

⁵ In late 2007, the Department of Planning and Community Development assumed responsibilities for planning from the former Department of Sustainability and Environment.

(responsible for the planning system) and the Office of Housing (within the Department of Human Services). An affordable housing unit was established in the former Department of Sustainability and Environment to drive the whole of government approach, particularly the interface between social housing sector, private rental housing and low cost home ownership. The unit also has an agenda to consider opportunities to combine financial incentives or initiatives with planning strategies for affordability.

3.5.1 Using the planning system for affordable housing in Victoria

The *Planning and Environment Act 1987 (PEA 1987)*, which governs the planning system in Victoria, makes no specific provisions for affordable housing. It does permit planning authorities to consider “any significant social and economic effects of the use or development”, “if the circumstances appear to so require” (s60(b)), which may arguably include the impacts of developments on affordable housing (Gurran 2003, p.31). The *PEA* enables planning authorities to pursue voluntary agreements with developers and it is this provision that has been used to secure some contributions for affordable housing within isolated developments in Melbourne, as discussed further below.

A major attempt to streamline Victoria’s planning process, *Cutting red tape in planning* (DSE 2006), is geared towards simpler and faster approvals, particularly for routine development. Overall efficiency gains to the planning system are anticipated by reducing the number of matters requiring a planning permit or referral to another agency, and by introducing a stream for ‘code assessable’ development (development that will be approved if it meets specified codes).

Victoria’s plan making and development assessment framework includes provisions that are set by state government and applicable across the entire state, as well as more specific policies and requirements prepared by local councils. The Victorian State Planning Policy Framework now includes two provisions that are relevant to affordable housing. Amendments in October 2006 resulted in the enactment of a specific objective relating to the delivery of “more affordable housing closer to jobs, transport and services” (c16.05-1). This is to be achieved by:

- “Ensuring land supply continues to be sufficient to meet demand.
- Increasing choice in housing type, tenure and cost to meet the needs of households as they move through life cycle changes and to support diverse communities.
- Promoting good housing and urban design to minimise negative environmental impacts and keep down costs for residents and the wider community” (c16.05-2).

The policy also aims to increase the supply of well-located affordable housing by:

- “Encouraging a significant proportion of new development, including development at activity centres and strategic development sites, to be affordable for households on low to moderate incomes.
- Facilitating a mix of private, affordable and social housing in activity centres, strategic redevelopment sites and Transit Cities projects.
- Ensuring the redevelopment and renewal of public housing stock better meets community needs” (c16.05-2).

The intention is for local planning schemes to implement these objectives by designating appropriate local zones and policies for development assessment.

Another amendment to the State Planning Policy Framework is the introduction of clause 12 on Metropolitan Development. The clause aims to make Melbourne a 'fairer city', by encouraging 'more affordable housing' for low to moderate income households in well located areas (DHS 2006, p.9).

Melbourne's metropolitan plan *Melbourne 2030: Planning for Sustainable Growth* (DOI 2002) also aims to achieve "a fairer city", through well located affordable housing, and more equitable distribution of social infrastructure (Policy 6.1). Melbourne 2030 focuses on managing future growth by consolidating development around identified activity and growth centres linked to transport nodes. Actions relevant to affordable housing include:

- monitoring supply and demand for affordable housing at local and regional levels. This has since been progressed through the establishment of the Urban Development Program, which identifies and monitors land availability in 'broadhectare' and redevelopment infill areas of Metropolitan Melbourne and the Geelong region;
- disseminating examples of best practice in affordable housing provision (6.1.1). One such initiative is the appointment of architectural teams to design 'Sustainable and Affordable Homes', costing less than \$150,000 to build, and to be promoted to the volume building industry through display homes constructed by the Government's developer, VicUrban; and
- increasing the supply of affordable housing in metropolitan Melbourne (6.1.2). The establishment of the Growth Areas Authority with responsibility for five designated urban growth areas in Melbourne is the major initiative to progress this aim. The Authority facilitates land supply in the growth areas by undertaking the preliminary growth framework planning work necessary to secure a rezoning within designated areas, identifying 25 years of future residential land supply and monitoring house and land prices to maintain affordability.

Melbourne 2030 also contained a commitment to "change the policy that governs the disposal of government land and buildings to best use rather than the highest price achievable, and base the policy on responsible criteria" (6.1.7). This provides an opportunity to secure government land for affordable housing, although the policy has not yet been released.

VicUrban

The Victorian Government's development corporation VicUrban has an explicit affordable housing objective within its charter (VicUrban 2006). The charter seeks to "reduce the price of housing for moderate income households through the cost effective subdivision of land, and the delivery of well-designed and well-priced entry level homes". The target is for 40 per cent of lots in Greenfield sites to be available at the lowest quartile of the local market, and for 25 per cent of the total new house and land packages to be available in the lowest price quartile of the local market for new housing (VicUrban 2006, p.12). The charter also seeks to achieve "whole of life savings" in household expenditure through sustainable and energy efficient house and land designs; to "plan for affordable housing", through "cost effective purchase and release of land" and "the use of partnerships to reduce purchase and land holding costs"; and "affordable rental housing", through projects that "pursue subsidies and use industry partnerships to achieve the delivery of affordable rental housing" (VicUrban 2006, p.12). This is measured by the proportion of a project total "offered to an accredited not for profit housing provider for affordable rental housing", with 5 per cent as the target (VicUrban 2006, p.16).

Specific VicUrban projects include the 'Ownhome' pilot, which provides an equity share with a no interest mortgage on 25 per cent of the purchase price of VicUrban homes in the scheme. VicUrban retains the 25 per cent equity share but owners have the option to purchase this share at a later date.

3.5.2 Case study 11: Port Phillip and the inner Melbourne Councils – local and regional housing initiatives

Melbourne 2030 identifies five regional groupings of councils, for collaboration around housing needs and responses. Regional housing statements articulate policies and collaborative strategies across these groups of councils. For instance, the Inner Regional Housing Statement, which pertains to Melbourne, Port Phillip, Stonnington and Yarra Councils, acknowledges local housing needs and in particular the need for affordable housing to support social diversity (Inner Regional Housing Working Group 2005). These councils are currently progressing a collaborative, regional model for affordable housing that will apply across the local government areas (Spivak, pers comm). It is anticipated that the model will include an affordable housing overlay, requiring a contribution towards affordable housing for specified development within the area to which the overlay applies. Amendments to the Victorian State Planning Policy Framework would be required to implement the overlay, which would be limited in application to the inner Melbourne region.

The progression of the affordable housing provisions for inner Melbourne has involved significant collaboration across each of the participating councils, facilitated by the regional structure. The councils have positioned affordable housing as “part of achieving diverse communities, and diverse communities are sustainable communities”... therefore the affordable housing requirement relates to a desired ‘attribute’ of the region “rather than a tax on developers or an impact exaction” (Spivak, pers comm). The potential to assess and respond to need on a regional basis is seen as critical to the potential implementation of the affordable housing requirements:

The only way it would be supported is on the regional level, because this is a level playing field for developers, and the regional approach provides certainty of requirements over the area. (Spivak, pers comm)

Consultation over the development of the model focused on the key issues of whether compulsory contributions would “scare off developers” or “add to the cost of housing”. Developers indicated acceptance of a contribution model, provided that sufficient information about expectations is available in advance and able to be factored into feasibility planning for projects prior to land acquisition. Developers also indicated a preference for flexibility in the way that contributions are made – favouring a choice between monetary payments, a set aside of housing units, or the provision of substitute land or units on a different site. It is intended that the compulsory contributions model would also apply to commercial developments within the area covered by the overlay.

The long experience of the City of Port Phillip, formerly St Kilda, in promoting affordable housing issues, has been a factor in progressing the regional model. Since the early 1980s the council has demonstrated a continuum of political support for social inclusion and diversity, with affordable housing as a key component of these goals. Goals of protecting and promoting affordable and low cost rental housing are contained within the Port Philip Planning Scheme. While these goals are “optimistic” and indicate the types of development likely to be preferred by the council they are not “enforceable” (Spivak, pers comm). Since the completion of Port Phillip’s 1997 Housing Strategy the council has had an express commitment to pursuing a scheme

for affordable housing contributions, by using the social impact provisions of the PEA and by seeking enforceable ways to impose affordable housing conditions on developers (Spivak, pers comm). However, without clear legislative authority the council has pursued planning agreements under s173 of the PEA rather than being able to enforce mandatory requirements. This has resulted in several significant one off projects and approximately 560 affordable, community, or rooming house units through a combination of council initiated and joint venture projects (see Milligan *et al.* 2004 for a review of these initiatives).

A key issue for the council has been the capacity to take up or utilise potential affordable opportunities if they arise through the planning process. For instance, even the potential to obtain land or housing at a lower cost through a negotiated process requires access to a funding stream and partners to support the acquisition and subsequent management of this housing. The council has its own housing program, which has been run in partnership with the Port Phillip Housing Association (formerly St Kilda Housing Association) since 1986 (Milligan *et al.* 2004). Following a recent restructure and registration under Part VIII of the Housing Act 1983, that association now has the capacity to undertake the initiation, financing and development of housing projects. This will provide Council with the delivery infrastructure to pursue and utilise any developer contributions secured for affordable housing in the future.

3.5.3 Summary of Victorian experience

The Victorian experience reflects an emerging use of the planning system for affordable housing, rather than an established one. Broad enhancements to the planning system and land supply strategies are intended to reduce house price pressures in the private market. The concrete targets expressed by VicUrban for Greenfield land release are an important approach here although there are not yet any matching approaches for urban renewal in inner and established city locations. A more collaborative regional model for securing affordable housing contributions will emerge in inner Melbourne, provided that legislative support is forthcoming.

3.6 Summary of Australian experience

This chapter has outlined the current state of practice in planning for affordable housing in Australia, with a focus on local jurisdictions across NSW, Queensland, South Australia and Victoria. Specific cases, mechanisms, and relevant legislation and outcomes are summarised below in Table 3.3. The table also includes cases referred to in the secondary review of documented practice contained in the positioning paper (Gurran *et al.* 2007).

As shown in this table, approaches in NSW are the longest established in Australia. They range from the protection of low income housing, to overcoming local barriers to housing for seniors and those with a disability, to a framework for negotiating or requiring developer contributions for affordable housing. Arguably, as much can be learned from the limitations of these approaches as from their successes. While the negotiated framework has provided new opportunities for affordable housing creation in NSW, the administrative and procedural costs of the model are high. Voluntary mechanisms across the NSW cases reviewed have generated about 63 affordable housing units in total, 33 of which are from Waverley local government area alone. If the development of Ropes Crossing is included the number of units created under negotiated arrangements increases by an additional 150 housing lots. However, Ropes Crossing is not strictly an example of a voluntary agreement, as the inclusion was a condition of site purchase. On the other hand, the mandatory inclusionary zoning mechanisms used in City West and Green Square alone have created almost 550 affordable housing units, albeit supported by initial government subsidy. However,

the NSW government have been very reluctant to extend these provisions more widely, despite requests from willing local governments. This reluctance contrasts sharply to established policy and practice for affordable housing internationally, particularly in the United Kingdom, Ireland and the Netherlands, as discussed in the following chapter.

Approaches used in the other states may be best described as nascent. The possible exception is Port Phillip in Victoria, where the council has demonstrated a long and consistent history of combining planning mechanisms with its own funding and resources, to enable affordable housing development. Port Phillip is also unique in having established its own delivery infrastructure for affordable housing in the Port Phillip Housing Association.

Another important example is the framework being established in South Australia, where provisions for affordable housing inclusion in new development areas are now being adopted in local plans. The distinctive feature of this model is that it is suitable for implementation within lower market value scenarios as well as high value markets. To date, much of the policy thinking on planning levers for affordable housing in Australia has focused on their potential within high value sites where the surplus value is sufficient to cross subsidise the affordable housing contribution. This is the approach that has been demonstrated in the City West and Green Square examples, but in both cases affordability targets have remained modest (0.8 to 3 per cent). By contrast, the target for South Australia is 10 per cent for affordable housing and five per cent high need housing. However, reasonable land and housing costs of producing the affordable component are recouped by sale to the state government (in the case of high need housing), and eligible home purchasers, or affordable housing rental providers (in relation to the remaining 10 per cent).

Table 3.3: Summary of Australian approaches to planning for affordable housing

<i>Case study</i>	<i>Mechanism</i>	<i>Context</i>	<i>Legislation</i>	<i>Time-frame</i>	<i>Govt. land / subsidy</i>	<i>Outputs</i>
CUB (City of Sydney)	Mandatory negotiated agreement	Redevelopment / renewal	EPAA S94F; RWA 2004	2007-	×	\$23 million
Canada Bay, NSW	Voluntary negotiated agreement	Redevelopment	EPAA s93F	2005-2007	×	15 units (1 development)
Randwick, NSW	Mandatory contribution	Redevelopment	Randwick LEP 1998	2004-2007	×	15 units, (in 3 developments)
Gosford, NSW	Control to preserve low cost housing	Redevelopment	Gosford LEP 443	2004-2007	×	Retention of caravan parks
Byron, NSW	Voluntary agreement	Redevelopment	EPAA s93F	2005-	×	No outcomes to date
Waverley, NSW	Incentive (density bonus)	Infill; development	Waverley LEP 1996; DCP 1	1999-	×	33 units - 17 owned by Council and 16 leased to Council for periods from 3-15 years).

<i>Case study</i>	<i>Mechanism</i>	<i>Context</i>	<i>Legislation</i>	<i>Time-frame</i>	<i>Govt. land / subsidy</i>	<i>Outputs</i>
City West & Green Square (City of Sydney), NSW	Inclusionary zoning	Redevelopment	SEPP 70; Sydney Regional Environmental Plan 26	1995-	✓	491 units acquired, 56 at planning stage
Willoughby, NSW	Mandatory contributions	Development	Willoughby LEP 1995 SEPP 70 Willoughby DCP	1999	✗	10 units (from 1 development)
Ropes Crossing (ADI) St Mary's, NSW	Mandatory negotiated agreement	Development	-	2004-	✓	150 housing lots (equivalent) in 5000 dwelling development
Ferry Apartments (Brisbane City Council), QLD	Planning incentives for affordable housing, statutory covenant	Development	Brisbane City Plan 2000	2007	✗	75 bedrooms
St Balfours (Adelaide City Council), SA	Mandatory negotiated agreement	Redevelopment	City of Adelaide Development Plan	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	Development Act 1993 Affordable Housing Act 2007 (covenants on sale prices)	2006-	✓	60 Units (15 % of total dwellings; inc 5% for high needs)
Cheltenham Racecourse City of Charles Sturt, SA	Mandatory inclusion (15%)	Redevelopment	Development Act 1993 City of Charles Sturt Development Plan (draft amendment)	2007-	✗	15 % (of total dwellings or equivalent)
City of Port Phillip (Victoria)	Negotiated agreements	Redevelopment	S173 Planning and Environment Act 1987	1985-	✓	560 dwellings (approx)

Source: The Authors

This framework positions South Australia to maximise the value of any investment in social housing provision or in housing assistance, as funds can be dedicated solely to reasonable construction and site costs. The need to compete on the open market for

land for affordable housing development is removed. The model shows how matching planning levers with funds or incentives for affordable housing construction or acquisition can maximise the leverage of both tools. The impact of the planning requirement is maximised because funds for affordable housing construction are able to take up the opportunities secured through the planning system. Without such funds, the affordable housing creation is far smaller, as all of the costs are internalised (as occurs in the NSW City West and Green Square schemes). The impact of government's affordable housing investment, subsidy or incentive is augmented by removing the need to compete on the open market for land (paying a premium for well located sites or accepting sites in lower demand areas where need might not be so great). The importance of combining levers in this way is accentuated when government funds are intended to stimulate private investment in affordable housing, as shown in the next chapter.

4 PLANNING FOR AFFORDABLE HOUSING: INTERNATIONAL EXPERIENCE

Weak and limited use of planning approaches for affordable housing in Australia contrast sharply with approaches that have long been adopted by many international jurisdictions, as this chapter will show. We begin with the North American cases from the United States and Canada before turning to the United Kingdom, Ireland and the Netherlands. The positioning paper for this project (Gurran *et al.* 2007) reviewed planning and relevant housing policy arrangements at national or subsidiary levels of government in each jurisdiction. This chapter summarises and updates this material. Each case proceeds with a review of the national, state or regional policy and legal framework relevant to planning and affordable housing, before focusing on a specific local jurisdiction or jurisdictions.

As in Chapter 3, detailed case study descriptions will provide the evidence base for the comparative analyses and findings presented in Chapters 5 and 6. This material will be of most interest to planners seeking to understand the design and operation of each model in a statutory sense and in relation to other policies, laws, programs and governance arrangements at regional, state or provincial, and national levels. Other readers may choose to move directly to the summary of experience contained at the end of each section and the comparative summary at the end of the chapter.

4.1 The United States: Boston, San Francisco and Seattle

The three case studies introduced here illustrate different aspects of affordable housing and planning policy in the United States. The case of Boston, Massachusetts focuses on the 'anti-snob' zoning laws, first introduced in the late 1960s to overcome local resistance to affordable housing. San Francisco has a number of standard planning levers for affordable housing, including a long established inclusionary zoning scheme. The third case study, the city of Seattle and surrounding King County, has developed an extremely comprehensive range of approaches for affordable housing, consistent with the provision of the Washington Growth Management Act 1990.

4.1.1 Context for affordable housing and planning in the United States

Housing initiatives in the United States are diverse and decentralised, making it difficult to generalise about practice across the many state and local jurisdictions. The Federal Department of Housing and Urban Development (US HUD) seeks to increase the number of affordable homes available to Americans and to facilitate community partnerships for affordable homeownership, through grant funding and low cost mortgages. In 2006 the HUD distributed US\$2 billion across the states to sponsor affordable housing development by the public and private sector, under its HOME program (US HUD 2006). Federal community development block grants (CDBG) – for urban renewal programs, rural housing, brownfield economic development and community development – support a range of affordable housing projects initiated by state and local governments and the private sector. To access this funding, jurisdictions from state government to local authorities (counties and cities) must submit a 'Consolidated Plan' for housing and community development to the HUD.

The Federal government also provides two programs that indirectly support the development of affordable housing. The federal Housing Choice Voucher Program (formerly known as 'Section 8') allows low income households to access private rental housing. Landlords of tenants eligible for housing vouchers receive subsidy payments, usually administered by local housing authorities on behalf of HUD. The

Low Income Housing Tax credit program supports investment in affordable housing by offering tax incentives for rental housing developments affordable to households on low income.

Planning for affordable housing in the United States has focused predominantly on two broad approaches. The first, driven largely by Federal and state government policy, attempts to make it easier to develop affordable housing by reducing regulatory barriers to low cost housing development (US HUD 2005). There are active disincentives for local authorities in promoting new housing opportunities, including affordable housing, in their areas. As property taxes give a significant income stream for local authorities to provide municipal services, including schools and police, lower value housing is associated with greater demand for services but a smaller resource base on which to deliver them. As a result of this distortion, many local authorities actively discourage new housing at higher densities and enact barriers to lower cost housing forms through subdivision and design controls. Barrier reduction strategies in the US seek to dismantle these 'exclusionary' approaches.

The second approach to planning for affordable housing generates additional dedicated affordable housing stock through voluntary or mandatory developer contributions levied through the planning process. This mechanism is usually described as 'inclusionary zoning' in the United States, although the term 'inclusionary housing' has emerged to encompass the myriad approaches to seeking contributions for affordable housing through the planning process. Planning controls to protect existing sources of affordable housing, particularly single room occupancy dwellings or boarding houses, are used in some jurisdictions. So are other non planning related protections for tenants, such as rent controls (APA 1999).

As in Australia, State governments establish the legislative and policy framework for land use planning. The extent of State level intervention in local plan making and decisions varies from jurisdiction to jurisdiction. Planning practice in relation to affordable housing differs across the states too, and less than half of state governments require local authorities to include explicit housing policies within their land use plans (called 'comprehensive plans' in the United States). Despite this, the use of 'inclusionary housing' provisions within local land use plans is widespread. In the following sections we focus on three very different examples of the use of the planning system for affordable housing in the United States.

4.1.2 Case study 12: Boston, Massachusetts – 'anti snob' legislation

In the last two decades the city of Boston on the US East Coast has experienced an economic resurgence fuelled by the hi-tech, medical care and educational sectors. In the words of two Boston academics, the city has transformed itself "from a mill-based to a mind-based economy" (Bluestone and Stevenson 2000, p.3). Attracted by its quality of life and employment prospects, professional workers from other parts of the US and immigrants from overseas have moved to the area in large numbers (Katz 2002). This economic renaissance has come at a price, however. A workforce with high wages has led to increased housing costs and housing supply has not kept up with new household creation (Glaeser, Schuetz and Ward 2006, p.1). High housing costs mean that Boston is considered to have the highest cost of living of any metropolitan region in the entire US (Heudorfer and Bluestone 2005).

The City of Boston is a local authority within the State of Massachusetts. County governments continue as defined regional jurisdictions in some parts of Massachusetts, but the greater metropolitan area surrounding Boston falls within the regional jurisdiction of the Metropolitan Area Planning Council. Boston City has a population of around 582,000 (US Census Bureau 2006), and the greater metropolitan

region had a population of about 3,066,400 in the year 2000 (*ibid.*). The region includes eight sub-regions ranging from coastal towns to aging industrial areas, rural communities, and the city of Boston itself.

The Metropolitan Area Planning Council represents the 101 local authorities (22 cities and 79 towns) within the metropolitan Boston area.

Massachusetts State policy and planning framework for affordable housing

Massachusetts State Government has initiated a number of strategies to promote affordable housing development through planning and financial mechanisms. These include:

- provisions for certain developers (public agencies, non profit organisations, or limited dividend organisations) to override restrictive local zoning provisions to enable affordable housing development meeting specified criteria (under Massachusetts General Laws Chapter 40B, 'Comprehensive Permit Law', also known as the 'Anti-Snob Law');
- incentives for local communities to introduce overlay zoning districts permitting high density residential development 'by right' in 'town centres', around transit nodes and in areas of under-utilised commercial, industrial, or institutional buildings (Section 40R of the State Zoning Act) (Department of Housing and Community Development 2005, p.6);
- implementation of a 'Priority Development Fund' to contribute to new mixed income housing by assisting communities with their planning for increased housing production, and to contribute to loans for real estate developers of low income housing; and,
- capacity for local authorities to use their zoning provisions or permit approval powers to secure affordable housing through the planning process.

Affordable housing developments in Massachusetts may be for the rental or home ownership sector. Ownership units are subject to resale restrictions. To ensure that eligible low and moderate income residents are able to access affordable home ownership opportunities, Massachusetts has programs in place to assist them access affordable home ownership opportunities, including a 'quasi public' affordable housing bank MassHousing, which provides home finance for eligible low and moderate income residents of Massachusetts at below market rates (Department of Housing and Community Development 2005, p.7).

Anti-snob law in Massachusetts

The Massachusetts 'Comprehensive Permit Law' (also known as Chapter 40B, and 'The Anti-Snob Act') was enacted in 1969. The Comprehensive Permit Law sets a goal for the state's cities and towns to provide at least 10 per cent of their housing stock as 'affordable'. In communities where the 10 per cent goal has not been met, builders and developers may bypass local zoning policies (Euchner 2003, pp.39-40). In order to qualify, developers must be approved through a state or federal housing program (such as the U.S. Department of Housing or MassHousing), at least 25 per cent of the units must be affordable to households earning 80 per cent or less of the area's median income, and developers must agree to restrict their profits on the project to a maximum of 20 per cent.

The state maintains an inventory of affordable housing units created under Chapter 40B in each local jurisdiction as a basis for determining whether they are meeting their state goal for affordable housing provision. As of 22 October 2007, the Massachusetts State Subsidised Housing Inventory reported a total of 240,239

affordable housing units created under the Chapter 40B provision since the year 2000, amounting to 9.5 per cent of all housing development in Massachusetts over that time (Department of Housing and Community Development 2007a).

Cities with an affordable housing development plan approved by the State Department of Housing and Community Development, and certified as to meeting minimum annual targets for affordable housing development approvals, will have zoning decisions supported by the State's Housing Appeals Committee and so are not affected by 40B developments.

Low income housing tax credits in Massachusetts

The Commonwealth of Massachusetts administers the Federal Low Income Housing Tax Credit scheme as well as a State Housing Tax Credit program. Under legislation passed in 2004, the state scheme may extend to a bond-funded loan program "if the extended credit fails to generate sufficiently high net raises upon sale to investors" (Department of Housing and Community Development 2007b, p.9). An allocation plan specifies the funding priorities and criteria for assessing potential projects. Under the draft 2007 Qualified Allocation Plan for the Massachusetts Low Income Housing Tax Credit, funding priorities are determined based on the need for affordable rental units throughout the state, as outlined in the Massachusetts 2005-2009 Consolidated Plan for housing and community development. Between 2005-2009, the Commonwealth of Massachusetts anticipates an annual \$US11.9 million in Federal low income housing tax credits and \$US4 million in state tax credits (Department of Housing and Community Development 2005, p.10).

Regional planning for affordable housing in Metropolitan Boston

Although the state government has been proactive in encouraging affordable housing development, at the local level many jurisdictions remain tied to low density forms that are associated with higher housing costs. In each of the towns that along with Boston comprise the greater metropolitan Boston area, zoning is left to the individual town zoning board, and "low density and exclusionary zoning predominates" (Pendall, Puentes and Martin 2006). Despite Boston's growing population, evidence suggests that multi-family homes are decreasing and average lot sizes are increasing (MIT Center for Real Estate 2006). In 2006 the median lot size for a single-family house was 0.91 acres, up from 0.76 between 1990 and 1998 (MIT Center for Real Estate 2006). The percentage of permits issued for single-family homes is currently over 80 per cent, compared to the 1960s when less than 50 per cent of housing permits issued in greater Boston were for single-family units (Glaeser, Schuetz and Ward 2006, p.1).

Against this context, the Regional Development Plan for Metropolitan Boston, known as MetroPlan 2000, includes a dedicated housing element (Metropolitan Area Planning Council 2007). MetroPlan recognises housing as "a key component of the region's resource base" and "closely linked to other planning considerations", including workforce needs, jobs in housing production and rehabilitation, transportation, energy consumption, pollution and land use (Department of Housing and Community Development 2005, p.28). The plan is supported by a detailed housing needs assessment.

The plan contains policy recommendations, including the preservation of affordable housing, protecting those at risk of housing displacement, equal access to housing opportunities throughout the region, including "tenants and homeowners, families and elderly, minorities and new immigrants, and people with special needs". Adapting existing buildings to meet household changes, producing new housing, and seeking a balance between job growth and housing to reduce commuting patterns are also

policy recommendations for member councils to implement through their local plans (Department of Housing and Community Development 2005, p.30).

The Metropolitan Area Planning Council will seek to ensure that each community has a minimum of 10 per cent of its housing stock affordable to low and moderate income households, or has a 'Housing Plan' detailing how it will meet this goal (Department of Housing and Community Development 2005, p.31). Communities are also required to prepare a 'Fair Housing Plan' showing how they will "ensure equal access to housing for protected groups". Land use regulations at the local level must support the development of affordable housing units through mechanisms like inclusionary zoning provisions, accessory apartments or smaller housing clustered on single family lots, mixed use developments and mandatory linkage fees for affordable housing (Department of Housing and Community Development 2005, p.32).

A key issue is preserving low cost publicly subsidised housing with 'Expiring Use Restrictions', such as those secured under the Low Income Housing Tax Credit Scheme. As well as seeking funds to secure these units, the MetroPlan encourages local jurisdictions to allow the replacement of single room occupancy units in their zoning codes. Due to the issues associated with expiring affordable housing restrictions, the region is undertaking policy work to evaluate the potential of housing programs funded by capital grants that enable permanent supply.

4.1.3 Local planning for affordable housing in the City of Boston

In the City of Boston proper, the Boston Redevelopment Authority (BRA), a quasi-independent public agency, is responsible for both planning and redevelopment. The BRA has a Board of Directors, four of whom are appointed by the Mayor, and one by the state. All are appointed for terms of five years (Frug and Barron 2006). The BRA oversees the Boston Zoning Commission, which maintains the zoning code (containing the main land use controls for Boston), and the Boston Zoning Board of Appeal, which hears appeals to vary the zoning code (see <http://www.cityofboston.gov/bra/zoning/zoning.asp#3>). The City of Boston has no single comprehensive zoning plan and each of its neighbourhoods has its own set of zoning policies. In addition to the BRA, other departments dealing directly with housing include the Boston Department of Neighborhood Development, which manages the City of Boston's affordable housing funds as well as federal and state grants for housing and community development, and the Boston Housing Authority (BHA), which administers Boston's public housing and seeks to preserve and maintain low-income housing through re-development.

In 2000 the Mayor Thomas Menino announced *Leading the Way*, a housing strategy designed to co-ordinate the housing activities undertaken by these three agencies. The strategy initially operated between 2000 and until 2003, resulting in the creation of than 2,200 affordable units of housing (City of Boston 2004a, p.12). These units were achieved through a new inclusionary development policy (described below) and the reclamation of vacant housing lots. This was followed by *Leading the Way II*, covering 2003–2007, with a goal of creating 10,000 new units of housing, 2,100 of them affordable, and 75 per cent of these to be affordable to low to moderate income households (City of Boston 2004a, p.34). To kick-start the *Leading the Way II* campaign, the Mayor sold surplus municipal assets, raising \$33 million in funds for the production of new affordable housing in Boston. A pre-completion report completed in March, 2007 shows that shows goals have been met and exceeded: nearly 10,500 new units have been permitted, with 2,111 of those affordable (City of Boston 2007, p.1).

The *Leading the Way* housing strategy now provides the framework for a range of housing initiatives within Boston.

- *Chapter 40B subsidised housing units in Boston*: To date, 40B has been responsible for the creation of 43,000 units in 736 developments, approximately 23,000 of which have been reserved for households below 80 per cent of median income (Massachusetts' Citizens' Housing and Planning Association 2006).
- *Inclusionary zoning*: The City of Boston introduced an 'inclusionary development' policy in 2000. It initially required developers of 10 units or more of market-rate housing to set aside 10 per cent for affordable housing. In 2004 the inclusionary development requirement was increased. Fifteen per cent of market-rate units for new development must now be set aside for affordable housing (Glaeser, Schuetz and Ward 2006, pp. 3-4). To date the policy has resulted in the creation of more than 709 units (City of Boston 2007, p.10). The City's policy is to have the units created on-site whenever possible, but in exceptional cases developers may make cash contributions instead (Penniman 2006, p.9). The cash option was increased in 2005 from \$52,000 US to \$97,000 per unit (City of Boston 2007, p.11). These in-lieu funds are combined with community development grants, government funds and other fees, which are then made available to affordable housing developers through a competitive process. The cash-in-lieu option has raised more than \$10 million toward the production of new affordable housing since its inauguration in 2000 (*ibid.*, p.11).

Boston also has an inclusionary development policy for rental unit development, which is targeted at the creation of housing for the homeless. Implemented in 2000, the 'Homeless Set-Aside Policy' mandates that new rental housing projects with more than 10 units dedicate 10 per cent of those units for the homeless. As of 2004, 312 units had been created using the policy (Penniman 2006, p.13).

- *Linkage program*: Boston's 'Development Impact Project Exactions' program was established in 1983 (Frug and Barron 2006). Linkage payments are assessed for new commercial developments over 100,000 square feet to offset the impact on affordable housing and employment. The fees, paid into Boston's 'Neighborhood Housing Trust' and 'Neighborhood Jobs Trust' are assessed at \$7.87 per square foot for affordable housing and \$1.57 per square foot for employment (established by enabling legislation) (US HUD 2003). The program has thus far resulted in the construction of 6,000 residential units, most of which were allocated to those below 80 per cent of the regional median household income (Frug and Barron 2006).
- *Infill development and use of local authority land*: Infill parcels of land owned by the City of Boston are sold at extremely low ('nominal') prices to either for-profit or not-for-profit developers, who build homes for purchase to moderate income purchasers earning less than 80 per cent of median income. This is primarily small in-fill housing with an emphasis on design that is complementary to the current streetscape, though Home Again has sponsored larger developments such as 'ArtBlock', a large condominium development of mixed market (28 units) and affordable rate (28 units) residences that provides live-work spaces for artists. For ArtBlock, the Boston Redevelopment Authority provided the land at no cost, and advanced the cost of the market rate units prior to sale, to assist with project financing. In addition, the Department of Neighborhood Development invested \$1 million US into housing creation there (BRA 2007).
- *Vacant/abandoned properties and City-owned land*: The City also works to make vacant or City-owned land available for affordable housing purposes wherever possible. During *Leading the Way I*, the City made abandoned buildings available for redevelopment, and reduced the number of abandoned homes in the city. It

also made nearly 1,000 lots of City-owned land available to developers and others involved in the production of affordable housing. Between 2000 to 2003, nearly 400 City-owned lots were used to support new affordable housing (City of Boston 2004a, p.13). A vacant property locator is now available online to facilitate the acquisition and rehabilitation of these homes.

- *Property locator and lottery*: In 2004 the City introduced a program called 'Boston Build Home' in which City-owned land is offered to first-time moderate-middle income homebuyers to build a home (City of Boston 2004a, p.4). Land cost is only \$1,000 per site, but potential owners must be City of Boston residents, use accepted model house design specifications, attend home builder and home buying classes, and agree to receive ongoing technical assistance (City of Boston 2007). Similarly, under its '1st Home Program', Boston City operates a 'property locator' for households seeking affordable housing available to purchase, and a lottery to allocate affordable housing units in locations where demand will likely exceed current supply.

4.1.4 Case study 13: San Francisco, California – regional coalition for affordable housing

San Francisco is one of California's wealthiest cities with some of the highest housing costs in the United States. However, there is significant income disparity as three quarters of the area's population earn less than 50 per cent of the region's median income (City and County of San Francisco 2004, p.6). In 2005, the median price of a bedroom home was US\$847,000 (City and County of San Francisco 2005, p.23). High housing costs are affecting the availability and cost of labour. Half of employees in the San Francisco area are unable to afford accommodation where they work, and employers report increasing pressure to pay higher wages to their employees to afford high house prices or rents (City and County of San Francisco 2003).

The housing stock in San Francisco is ageing rapidly, with over 50 per cent of housing constructed before World War II (City and County of San Francisco 2004, p.31). The majority of housing is two bedroom or smaller, and 65 per cent of units are rental occupied (City and County of San Francisco 2004, p.31). There are natural geographic constraints to expansion as San Francisco is surrounded on three sides by water, and much of the land available has already been built out. Higher density housing rather than single family homes predominate. In 2005, there were 355,918 residential units in San Francisco, only 31 per cent of which were single-family homes (City and County of San Francisco 2006, p.2). By 2020, 16,000 new households and 100,000 new jobs are expected for the San Francisco area. To meet the housing need over 3000 residential units must be built annually over the next five years (City and County of San Francisco 2007).

California state law mandates that San Francisco have a general comprehensive plan covering land use, circulation, housing, conservation, open space, noise and safety matters. California state law also mandates a 'Regional Housing Needs Determination' process to determine the share of anticipated regional housing need throughout the state. The California State Department of Housing and Community Development oversees this needs determination. These two components of housing policy in California are distinctive: the mandated comprehensive plan incorporating a housing element, and the required regional housing needs process to ensure all jurisdictions meet their 'fair share' of housing need. Less than half of all states have articulated a legislative framework for local authorities to prepare a comprehensive plan including a housing element within it. Many of the states that do provide for housing elements within local comprehensive plans do not make this a mandatory requirement. The regional approach to determining housing need provides a basis

for ensuring that local jurisdictions cannot refuse to provide affordable housing in their area.

Planning context

The *Housing Element* of the San Francisco *General Plan* sets out the city's intentions for housing, including affordable housing. The *Housing Element* includes an analysis of housing needs and trends as well as broad strategic responses to these needs. Part II of the *Housing Element* outlines objectives and policies for housing. The focus of the *Housing Element* is to reduce barriers impeding low cost housing production, while identifying incentives to encourage and support it (City and County of San Francisco 2004, p.2).

Increasing the number of permit approvals for housing has been a strong focus of recent planning policy. In 2005, building permits were approved for 5,570 units, more than double those approved for 2004, and more than 2,000 units higher than the annual number of approvals for the past 20 years (*ibid.*, p.2). The trend towards higher residential densities will continue in San Francisco as more than 90 per cent of permits approved were for residential buildings with more than 20 units (City and County of San Francisco 2006, p.2). The rate of construction of new dedicated affordable housing is increasing too. In 2005, nearly 800 new affordable housing units were constructed, nearly 50 per cent more than the previous year, and an additional 400 units were rehabilitated (*ibid.*, p.2).

Several planning levers are used to promote affordable housing in San Francisco.

- *Inclusionary Housing*: San Francisco's 'Inclusionary Affordable Housing Policy' was adopted in 1992. At that time it required housing projects of 10 or more units that sought a conditional use permit or planned unit development to dedicate 10 per cent of units as affordable. In 2002 the requirements were changed to 12 per cent, which increased in 2006 to 15 per cent if constructed on-site, and 20 per cent if constructed off-site. The increased requirement for off site contributions seeks to integrate affordable and market housing in the same locations. Any off-site affordable housing must be built within one mile of the market-rate housing, so that neighbourhoods are income-integrated. Between 2001-2005, 625 affordable units were built using this inclusionary housing policy (City and County of San Francisco 2006, p.23).
- *Office-Affordable Housing Production Program (OAHPP)*: San Francisco was the first major city in the U.S. to adopt a jobs-housing linkage program. The policy was adopted in 1985 to require office space developers to contribute to production of affordable housing. Offices of more than 2300 square metres (24,758 square feet) must provide 0.41 units of low-income housing for every 1,076 square feet (100 square metres) of office space. This requirement can be met through new construction, conversion of non-residential buildings to low-income housing, rehabilitation of current housing stock, or contribution to the city's housing trust fund. Units must remain affordable for a minimum of 50 years. Cash-in-lieu contributions are US\$14.96 per square foot (as of 2002; Nonprofit Housing Association of Northern California 2002, p.13).
- *Condominium Conversion Ordinance*: This legislation limits permits for conversion of existing rental units to condominiums to 200 per year. Under this ordinance, only buildings with six or less units may be converted. The Ordinance was introduced in 1983, and remains in force – in 2005, 206 buildings were converted to condominiums (City and County of San Francisco 2006, p.17).
- *Residential Hotel Conversion Ordinance*: This ordinance, introduced in response to a high rate of hotel conversions during the 1970s and 80s, protects the stock of

residential hotels in San Francisco. The measure was strengthened by further amendments in the 1990s (City and County of San Francisco 2004, p.47). The efficacy of the policy is reflected by the net increase in non profit residential rooms available in the city, which increased by 15 per cent between 2004 and 2005, to 565 rooms (City and County of San Francisco 2006, p.18).

While the affordable housing tools described above depend on supportive regulation, there are concerns that restrictive controls contribute to higher costs in San Francisco. The Association of Bay Area Governments argues that the impact of land use policies in the San Francisco Bay area (density controls and car parking requirements) increases housing costs and limit affordability, while also producing more sprawl.

4.1.5 Case study 14: Seattle and King County, Washington State

The city of Seattle in Washington State has a population of approximately 570,000 (US Census Bureau 2006). It is surrounded by the larger Metropolitan King County which has a population of over 1.8 million (*ibid.*) and incorporates a number of other Cities and Towns, which are recognised local authorities. Affordable housing pressures emerged in the city of Seattle and surrounding regions during the mid 1980s and 1990s. The establishment of high tech industries, particularly Microsoft, in the Seattle suburb of Redmond, was associated with gentrification of formerly rural and exurban areas. The median house price of a single-family home has increased an average 12 per cent per year since 2003 (Seattle Office of Housing 2007c).

Affordable housing has been a recognised policy concern in Washington State for many years. However, the *Washington State Growth Management Act (GMA)* was enacted in 1990 during a time of rapid population growth and urban expansion. The GMA includes strong measures to discourage urban sprawl by focusing new development on designated urban growth areas. As house prices in many parts of the state have increased since the adoption of the GMA there have been assertions that the focus on urban growth areas has limited the potential supply of residential land, resulting in house price inflation. The Washington State Department of Community, Trade and Economic Development, which has responsibility for land use planning, identifies several other factors contributing to affordability problems. These include economic growth, increases in house and allotment sizes; stricter safety and energy efficiency building codes; permit processing delays in high growth areas; and the greater profit incentive associated with high end housing (CTED 2004).

The GMA itself includes specific goals relating to affordable housing. In 2006 the Washington State legislature made the following statements in relation to affordable housing provisions of the GMA:

The legislature finds that as new market-rate housing developments are constructed and housing costs rise, there is a significant and growing number of low-income households that cannot afford market-rate housing in Washington state. The legislature finds that assistance to low-income households that cannot afford market-rate housing requires a broad variety of tools to address this serious, statewide problem. The legislature further finds that absent any incentives to provide low-income housing, market conditions will result in housing developments in many areas that lack units affordable to low-income households, circumstances that can cause adverse socioeconomic effects.

The legislature encourages cities, towns, and counties to enact or expand affordable housing incentive programs, including density bonuses and other incentives, to increase the availability of low-income housing for renter and owner occupancy that is located in largely market-rate housing developments

throughout the community, consistent with local needs and adopted comprehensive plans. While this act establishes minimum standards for those cities, towns, and counties choosing to implement or expand upon an affordable housing incentive program, cities, towns and counties are encouraged to enact programs that address local circumstances and conditions while simultaneously contributing to the statewide need for additional low-income housing. (RCW 36.70A.540)

These statements appear to have been influential across Washington State, as demonstrated in the following regional and local initiatives.

Housing provisions of the Growth Management Act

Like California, Washington is one of the jurisdictions in the United States that requires local authorities to undertake comprehensive plans and more detailed 'development plans' to implement them. The *Washington State Growth Management Act* (GMA) requires faster growing counties or cities to plan to achieve the goals of the state in providing for affordable housing opportunities. The 13 goals of the state relate to a number of matters including housing, 'urban growth', 'sprawl reduction' open space and recreation, economic development, transportation and permit processing. The housing goal promotes "the availability of affordable housing to all economic segments of the population of this state", "a variety of residential densities and housing types" as well as the "preservation of existing housing stock". The "urban growth" goal seeks to "encourage development in urban areas where adequate public facilities and services exist or can be provided in an efficient manner"; while the goal relating to sprawl reduction seeks to "reduce the inappropriate conversion of undeveloped land into sprawling, low-density development" (RCW 36.70A.040). Goal 7 states that "applications for both state and local government permits should be processed in a timely and fair manner to ensure predictability".

Comprehensive plans must provide for a 20 year horizon and ensure sufficient land is identified to accommodate projected growth, as well as potential land for government-assisted housing, low-income housing, manufactured housing, multifamily housing, and housing for special-needs individuals and group homes. Countywide planning policies provide a basis for consistency across the discrete local government units in Washington State at sub county level. They require implementation through local comprehensive plans and regulations.

Under the GMA, local authorities (cities or counties) may, in the process of their comprehensive planning, "enact or expand affordable housing incentive programs providing for the development of low-income housing units through development regulations" (RCW 36.70A.540). The Act allows for a range of incentives, from density bonuses within urban growth areas, to expedited permitting for low income units.

The GMA enables local authorities to "enact or expand such programs whether or not the programs may impose a tax, fee, or charge on the development or construction of a property." (RCW 36.7A. 540 (1)(b)). However, it makes clear that these incentives are voluntary: "if a developer chooses not to participate in an optional affordable housing incentive program... a city, county or town may not condition, deny, or delay the issuance of a permit or development approval that is consistent with zoning and development standards" (RCW 36.7A. 540 (1)(c)).

Affordable housing incentives must be used towards the provision of low-income housing units. Jurisdictions are required to "establish standards for low-income renter or owner occupancy housing, including income guidelines consistent with local

housing needs, to assist low income households that cannot afford market rate housing” (RCW 36.7A. 540 (2)(b)).

The GMA defines low-income households, for the purpose of establishing eligibility to renter and owner occupier affordable housing programs. Rental programs should be “affordable to and occupied by households with an income of fifty per cent or less of the county median family income, adjusted for family size” (36.70A.540 (2)(i)); while “owner occupancy housing units shall be affordable to and occupied by households with an income of eighty per cent or less of the county median family income, adjusted for family size”. Jurisdictions may establish lower or higher income levels if required to address “local housing market conditions” to a ceiling of eighty per cent of county median family income for rental programs and one hundred per cent of median for owner occupier housing (36.70A.540 (2)(ii)).

Maximum rent and sales prices for each low income housing unit developed must be defined by local jurisdictions. For rental units, total rent and basic utilities cannot exceed 30 per cent of income limits for low income households. There are also prescriptions about the design of low income housing units, which should be comparable in size and bedroom configuration to other housing provided in the development, and distributed throughout the building or in an adjacent building (RCW 36.70A.540 (d)). They must be dedicated to the affordable housing sector for a minimum of 50 years, although payments to a local authority may be acceptable in lieu of the units, provided that the payment is equivalent to the units that would otherwise be developed.

Amendments to the GMA in 2006 provide a basis for collecting affordable housing contributions when development capacity is increased through “zoning changes, bonus densities, height and bulk increases, parking reductions or other regulatory changes”. Jurisdictions may “establish a minimum amount of affordable housing that must be provided by all residential developments being built” under these “revised regulations” (RCW 36.70A.540). This provision enables local jurisdictions to impose mandatory affordable housing contributions.

To provide a basis for cross sector deliberation and advice on affordable housing across Washington State, the GMA provides for the establishment of an Affordable Housing Advising Board, comprising 19 members from the residential construction, home mortgage lending, real estate, apartment management, for profit and non profit housing development industries; as well as representatives of for-profit rental housing owners, homeless shelter operators, lower Income persons, special needs populations, public housing authorities and Washington associations of counties and cities.

4.1.6 Planning for affordable housing in metropolitan King County

Planning in the metropolitan King County is overseen by a growth management planning council, comprising members of the County itself and each of the other Cities and Towns. The King County Growth Management Council is responsible for preparing Countywide Planning Policies consistent with the requirements of Washington’s GMA (RCW 36.70A.210). This mandate includes policies relating to affordable housing.

Matters addressed by metropolitan King Countywide planning policies include the identification of urban centres, targets for projected household and employment growth at County level and the level of individual jurisdiction. Goals of contained housing development and housing affordability are “considered equal objectives” during this process (King County GMPC 2007, p.5). When new land is added to the defined Urban Growth Area, affordable housing goals must be considered and, if the

additional land is greater than 200 acres, affordable housing contributions are required. There are incentives for new release proposals that are smaller than 200 acres and incorporate a minimum of 30 per cent affordable housing units.

The Affordable Housing Policy for Metropolitan King County emphasises the need for all jurisdictions to contribute to meeting affordable housing needs:

All jurisdictions shall share the responsibility for achieving a rational and equitable distribution of affordable housing to meet the housing needs of low and moderate-income residents in King County. The distribution of housing affordable to low and moderate income households shall take into consideration the need for proximity to lower wage employment, access to transportation and human service, and the adequacy of infrastructure to support housing development; recognise each jurisdiction's past and current efforts to provide housing affordable to low and moderate income households; avoid over concentration of assisted housing; and increase opportunities and choices for low and moderate income households in communities throughout King County. (King County GMPC 2007, p.51)

The Countywide Planning Policies recognise the need to assist nonprofit organisations to develop housing and provide related services. The policies also refer to assistance for low to moderate income home buyers. Jurisdictions are required to "specify the range and amount of housing affordable to low and moderate income households to be accommodated in its comprehensive plan", with 17 per cent of housing for projected net household growth to be affordable to those on incomes between 50 and 80 per cent of County median, and 20 to 24 per cent of housing to those on incomes below 50 per cent of median.

Job/housing index

An affordable housing Job/Housing Index is used to determine whether jurisdictions must plan for 20 or 24 per cent of projected housing need to be in the affordable sector. The index is based on the existing concentrations of low cost housing and low wage employment, in each jurisdiction. The objective is for low cost housing to align with areas of low wage employment. As well as providing a basis for new affordability targets across the region, the jobs/housing index provides a way of monitoring housing outcomes at local jurisdiction level over time.

Both King County and Seattle have made surplus land available for affordable housing at less than market rates (King County Ordinance 12394, King County DCHS 2007). Local jurisdictions must show in their comprehensive plans how they will use "policies, incentives, regulations and programs" to meet their share of affordable housing (King County GMPC 2007, p.52). They are required to evaluate existing sources of subsidised and low cost private housing, identifying stock that may be at risk due to deterioration, redevelopment or public policy actions. If "feasible", jurisdictions are required to "develop strategies to preserve existing low-income housing and provide relocation assistance to low-income residents who may be displaced" (King County GMPC 2007, p.52). Jurisdictions that are not expected to accommodate significant future growth may "work cooperatively with other jurisdictions and/or sub-regional housing agencies to meet their housing targets", while in identified "city expansion areas, King County and cities should plan cooperatively for affordable housing development and preservation" (King County GMPC 2007, p.52).

Affordable Housing and Data Technical Forums including city and County Staff and provide housing industry representatives, monitor housing permits, rates of construction, and affordability. The Growth Management Planning Council reviews

local jurisdiction performance, on the basis of its “participation in Countywide or sub-regional efforts to address existing housing needs and actual development of the target percentage of low and moderate-income housing units as adopted in its comprehensive plan” (King County GMPC 2007, p.53).

4.1.7 Local planning for affordable housing in the City of Seattle

Seattle has its own local housing authority, the Seattle Housing Authority, which is a public authority operating 5,200 public housing units subsidised by the Federal HUD, as well as 1,000 seniors and disability housing units and approximately 800 other dwellings funded by local housing programs (Seattle Housing Authority 2007). The Seattle City Government has a designated Office of Housing, responsible for the City’s affordable housing policies and programs, including relevant planning provisions. Loss of affordable housing stock is a significant concern in Seattle. The number of units being converted from rental occupancy to condominiums for sale grew from 178 in the first half of 2004 to 1,088 in the second half of 2006 (based on conversion requests recorded by the Seattle City government; Seattle Office of Housing 2007a, p.22). Prior to conversion, the majority of those units were rented to households with incomes between 50 to 80 per cent of the area median income. Thus a large number of affordable units have effectively been removed from the market.

The affordable housing goals and provisions contained in the Washington State Growth Management Act and the King County Countywide Planning Policy are clearly reinforced in the planning instruments and policies of Seattle City. The City has promoted affordable housing through its planning and development powers since the early 1980s. The Housing Element within Seattle’s Comprehensive Plan, *Toward a Sustainable Seattle*, provides the framework for accommodating residential growth and maintaining affordability within the city (City of Seattle 2005). It expresses 17 housing goals and corresponding policies relating to future housing units (47,000 over 20 years), including 9,400 units affordable to households earning up to 50 per cent of median income, and 7,990 units affordable for those earning between 51 per cent and 80 per cent of the median; “predictability in project approval times, achievable densities” and impact “mitigation costs”; housing mix and accessible design; increased home ownership; new low income housing through market and subsidised housing developments; preserving existing low income housing, particularly in “urban centres and urban villages where most redevelopment pressure will occur”; dispersed affordable housing opportunities throughout the city and King County; and, “safe, habitable and affordable housing for existing residents of distressed areas through such means as rehabilitation and adequate maintenance of privately owned rental housing, increased home ownership opportunities, and community revitalisation and development efforts” (City of Seattle 2005, pp. 4.3-4.7).

To achieve these goals, policies include maintaining “sufficient zoned development capacity” to accommodate projected share of regional household growth; taking a “leadership role in regional efforts to increase affordable housing preservation and production”; and providing lower off street parking requirements in locations where car ownership rates are low, to reduce development costs. There are also commitments to minimise the time taken to process land use and building permits, with priority to review proposals involving very low income housing and to regularly assess the impacts of “City policies and regulations on housing development costs and overall housing affordability, considering the balance between housing affordability and other objectives such as environmental quality. Planning incentives to encourage public and private sector development of ‘housing that helps fulfill City policy objectives’, such as height and density bonuses, minimum densities and transferable development rights are endorsed. There is an emphasis on adapting existing housing

stock to meet changing needs, for instance, share homes, accessory units, housing designs that can be augmented, modular and manufactured homes (permitted on individual lots in any zone allowing residential uses). To meet the preference for single family homes in Seattle, while still achieving density, the City is promoting “ground-related units”, like townhouses, duplexes, triplexes, single storey apartments and smaller detached cottages, and encouraging employers to develop housing programs for employees.

These strategies are linked to finance measures assisted by City programs, including “bridge loans, credit enhancement and tax exemption”, and the use of City and Federal housing subsidies to promote opportunities for “low-income households, including ethnic minorities, to choose among neighbourhoods throughout the city”, working with the and Washington State Housing Finance Commission and other financial institutions to “overcome barriers in the real estate finance process” to affordable house and condominium development.

In December 2006, the Land Use Element of the Consolidated Plan was amended to direct the City to “(1) look for ways to provide incentives for development of projects that include low-income housing when increasing development potential and (2) consider development regulations that condition higher density development on the provision of public benefits” (City of Seattle 2007a, p.3).

The Seattle Municipal Code contains many of the operational regulations for implementing the goals and policies contained in the Comprehensive Plan, including mechanisms for affordable housing. Current mechanisms include the Downtown Transferable Development Rights Program; density bonuses for residential and commercial development in the downtown. The 'Alternative Housing Choices' project has enabled homeowners in certain areas to convert garages or outbuildings into small accessory dwelling apartments (City of Seattle 2007b). Under the 'Seattle Homes Within Reach' program, development within 17 target areas is eligible for property tax exemption, provided it includes an affordable housing component.

The Seattle Consolidated Plan for Housing and Community Development (2005-2008) provides the framework for the City's use of housing funds from the HUD, and the broader housing strategies for low and moderate income residents and the homeless. The consolidated plan reinforces the housing element of the Comprehensive Plan, so connects housing assistance strategies with the broader land use planning activities of the City.

Incentive zoning

Incentive zoning has been present in some form in Seattle since the 1960s, but was significantly updated in 1985 (focusing on commercial buildings and again in 2006 when residential buildings were added (Seattle Planning Commission 2007). There are two incentive zoning programs, one for commercial developers, and one for residential. Developers must first meet certain sustainability criteria according to a nationally recognised green building rating system, LEED (Leadership in Energy and Environmental Design). Although the City's incentive zoning policy currently operates only in key downtown locations, it is considering expansion of the program to other specific geographic areas, and particularly in multifamily and commercial zones. It is also considering limiting the primary public benefit to affordable housing. (Seattle Planning Commission 2007, p.4).

The *Downtown Residential Bonus* program (outlined in Seattle Municipal Code (SMC) 23.49.015) allows developers in certain downtown areas who provide affordable housing units in or adjacent to new residential development (or who make a contribution of \$18.94 per square foot to a City affordable housing fund) to receive

additional residential gross floor area and height. The program is aimed at “modest-wage workers” in the downtown Seattle area. Rental units must be affordable to those with incomes up to 80 per cent of the median, and sale units must be affordable for households with incomes up to 100 per cent of median area income.

The *Downtown Housing/Childcare Bonus Program* (SMC 23.49.012) allows developers of downtown commercial sites to receive bonus floor area if they make a cash contribution of \$22.00 per square foot (\$18.75 for housing and \$3.25 for childcare), an amount determined by an impact analysis done in 2001 and subject to periodic update.

Seattle also has a *Transferable Development Rights (TDR) Program* (SMC 23.49.014) in which downtown commercial developers can achieve additional density in lots where affordable housing is preserved by “purchasing” the additional density or “airspace” from the City’s “TDR Bank” or from an eligible seller (another site with certified TDR). A TDR agreement is then executed either privately or through the City, and then includes a covenant that runs with the land, in the case of affordable housing, for 50 years, and must remain affordable to households with incomes up to 50 per cent of the median (‘Downtown Transferable Development Rights Program’).

Promoting lower cost housing forms

To utilise large lot parcels subdivided under single family home zoning provisions, the City has developed a concept called 'cottage housing', where between four and eight units are oriented around a common green space, with the front porch facing the common area. The greater density is achieved without sacrificing outdoor space, by providing only minimal separations and rear setbacks. Most of these cottages have their own title (known as condominium ownership). In some of these developments additional 'carriage units' are placed over garages of the cottages.

Low income housing has been combined with initiatives to produce lower cost housing forms in the Rainier Valley of Seattle. In 1998 'Noji Gardens' was established as a 75-unit housing development on 6.5 acres. The development has 11 townhouses and 64 single family homes. Of these, 51 dwellings are manufactured homes attached to permanent foundations, meaning that titles were able to be converted from personal to real property (US HUD 2003). This was the first income restricted manufactured housing development in the Pacific Northwest. A slow permitting process and delays around infrastructure upgrades added some costs to the project, which focused on providing workforce housing. The developer, 'HomeSight' estimates that by using manufactured housing elements it was able to save US\$10,000 to 15,000 per unit.

As noted, Washington State law requires that all counties and cities over 20,000 people allow Accessory Dwelling Units (ADUs) in single family zones. Seattle allows ADUs on any single family lot, but it must be attached to the main family home. This mechanism is also used widely in King County and a survey of county planners found this the most commonly used regulatory tool to promote affordable housing (King County GMPC 2007).

Tenant relocation assistance

As noted, under state legislation, tenants displaced by the demolition, changes of use or rehabilitation of their low-income unit are eligible for relocation assistance. In Seattle, tenants may receive up to US\$2,462, with the building’s owner/developer paying half of the fee, and the City responsible for the remaining half. In 2005, 144 households received assistance under these provisions (Seattle Office of Housing 2007c).

Homes Within Reach Program: Seattle low income housing tax credits

Seattle's Homes Within Reach Program provides tax exemptions for developments incorporating an affordable housing component. Although consistent with the goals of Seattle's Comprehensive Plan, the program is not strictly a planning mechanism, but works with existing planning incentives to encourage new low income rental housing that is integrated with other new housing developments in the City. Under Washington State Law, local authorities are able to provide tax exemptions for developers including a specified affordable housing component within their projects. The exemptions are implemented at the local level through municipal Ordinances (currently Ordinance 121415 in Seattle). The tax incentive was first introduced in 1998 and the program was reviewed in 2002 and reinstated in 2004. It provides for ten years of tax exemption for developments that include 20 per cent affordable rental housing or home ownership. State legislation was amended in mid 2007 (HB1910) to replace the ten year exemption provisions with two alternatives: 12 year exemptions for required affordability contributions of at least 20 per cent of units; or eight years exemption with no required affordability component but an assumption that jurisdictions will determine requirements in line with local market conditions.

The review of the tax incentives reflects the need to ensure that they remain sufficiently attractive to stimulate new affordable housing development. Since the provisions were first enacted, increases in construction costs, rent and sales prices mean that existing affordability requirements are outweighing any advantages associated with the tax incentives. This means that projects seeking to provide affordable home ownership as a component of the development are unable to deliver new condominiums at prices affordable to moderate income households (up to the maximum 80 per cent of median income level). As rents have risen, the amount forgone by developers required to maintain the current affordability benchmark is greater than the value of the tax incentive.

Consequently the City is seeking to adjust home owner affordability thresholds to 120 per cent of median incomes, recognising higher costs in areas like Seattle. Under the 12 year alternative, developers will need to ensure that 20 per cent of their development is offered at prices affordable to households on up to 150 per cent of median income. To take up the eight per cent tax exemption, a smaller proportion of affordable housing will be sought. The rental affordability option is being extended to include rents up to 100 per cent of median.

The outcomes of the tax exemption program have been significant, with the program consistently exceeding mandated affordability contributions. Between 1998 to 2002, seven developments participated in the scheme, with a total of 474 dwellings. Of these, 119 dwellings were required to be affordable, but an actual 244 affordable dwelling units were delivered, mixed across home ownership and rental tenures, and representing a mix of studio, one two and three bedroom units (Seattle Office of Housing 2007b, p.7). Between 2004 to 2007, a total of 11 projects have participated, comprising 1278 units. Of these 762 were affordable home owner or rental units, against a compulsory requirement of only 305 units. Again, the units were provided across the City and represent a spread of dwelling configurations, though with a tendency to smaller studio, one and two bedroom units (*ibid.*, p.7).

4.1.8 Regional Coalition for affordable housing – ARCH

To address the lack of affordable housing in the suburban areas surrounding Seattle, and to meet the challenge of smaller suburbs working alone to address housing, ARCH (A Regional Coalition for Housing) was formed in 1992. The mission of ARCH is to “preserve and increase the supply of housing for low and moderate income

households” (ARCH 2006, p.1) Instead of creating a new independent regional organisation, ARCH is an inter-local agency made up of member councils from 15 cities and King County, along with a Citizens Advisory Board, an Executive Board, and professional staff. Member councils maintain local autonomy and can act independently. But they also work collaboratively through ARCH on affordable housing land issues and work programs that are recommended by the Citizens Advisory Board and Executive Board, and which must be ratified by member councils. ARCH assists households in their search for affordable housing, educates local governments about affordable housing, helps develop housing policy, and also coordinates member council efforts to create new affordable housing. At a regional level, ARCH has helped to negotiate below-market-rate provisions on new housing developments, promoted legislation for accessory dwelling units, waived permit fees and made public lands available for affordable housing use (ARCH 2006).

ARCH has established a housing trust fund, whereby member cities and King County put their developer fees for affordable housing into a common fund. This allows ARCH to leverage much larger deals than they otherwise could, since they can borrow against these funds to purchase land as well as for joint ventures in housing projects. Between 1993 and 2002, ARCH members contributed over \$20 million US to the fund in this way, and another \$2 million worth of land and development fee waivers. This money was then used to develop for low-income, senior, transitional and special needs housing in the region (ARCH 2006).

The consortium model approach provides cities with small resources an opportunity to collectively achieve staff and project scales as well as sophistication that they could not achieve on their own. Further, since ARCH is a regional organisation, it can bid on local assets in any city or even federal or state assets with no conflict of interest. The non political, regional character of ARCH helps member councils overcome local opposition to higher density development, special needs and affordable housing.

4.1.9 Summary of experience in the United States

Planning for affordable housing in many jurisdictions of the United States is highly complex, layered and legalistic. As shown here and in the positioning paper to this research, many cities and regions in the United States have taken a very proactive role in retaining existing low cost housing and in securing new affordable housing development, often through explicit value capture (inclusionary zoning) or impact fee requirements. Significant outcomes have been achieved over time, particularly through the use of mandatory requirements for affordable housing contribution. Planning scheme interventions are implicitly supported by or directly tied to non planning incentives or support, which range from the Low Income Housing Tax Credit scheme to the use of local municipal land or the reclamation of sites that have been abandoned. Planning levers are used as one of a number of strategies and interventions for affordable housing creation by local and regional policy makers.

At the broader systemic scale, there is much focus in the United States on the potential for planning to impact negatively on overall housing affordability. Consequently, in some states environmental goals such as growth management are linked to policies and mechanisms for affordable housing creation (for instance, in Washington State), while in others, unnecessarily restrictive local controls are simply able to be overturned (using the ‘anti-snob’ legislation in Massachusetts).

4.2 Canada

While planning practice for affordable housing is relatively limited in Canada, this case study of Vancouver in British Columbia shows how potentially competing goals –

urban containment and housing affordability – might be reconciled. In this section, the planning framework for the Greater Vancouver Region (GVR) and the City of Vancouver itself is outlined with a focus on interventions for affordable housing and particularly the emerging concept of ‘ecodensity’.

4.2.1 Context for planning and affordability in Canada

The Canadian Provinces and local governments have taken increased responsibility for affordable housing in recent years (Lawson and Milligan 2008). The main source of funding for housing assistance and social housing construction derives from the Federal government to the provinces, under joint housing agreements, although not all provinces are covered by these agreements. The planning system itself has not been seen as a strong tool for creating dedicated affordable housing supply, although there has been commitment to system wide improvements to promote housing diversity and to facilitate planning approval processes. Specific planning policies for affordable housing are largely confined to the large provinces of Ontario and British Columbia. The distinctive element of recent planning approaches to affordability in Canada is the attempt to link these strategies with environmental objectives. A precedent for maintaining affordable housing within a context of environmental protection was established in the Alpine resort town of Banff in Alberta, where all new commercial development has had to contribute to an employee housing fund as a condition of development approval under regulations in place since 1990. In this case study we focus on the range of initiatives emerging in the City of Vancouver and its greater regional district.

4.2.2 Case study 15: The Greater Vancouver Region – environmental sustainability and affordable housing

The City of Vancouver has a population of 578,041 (BCS 2007). The surrounding metropolitan region, known as the ‘Greater Vancouver Regional District’, comprises a group of municipalities with a combined population of over two million residents and governed by the regional coalition ‘Metro Vancouver’ (BCS 2007). Vancouver is a rapidly growing city with geographical limitations as to how far it can expand. There is a recognised need for affordable housing in Vancouver, with 34 per cent of Greater Vancouver’s population in housing stress (GVRD Policy and Planning 2006, p.2). The market is not producing enough rental stock to keep up with demand, averaging a shortfall of 2,500 units per year (GVRD Policy and Planning 2006, p.2) and rental vacancy rates are below one per cent (Vancouver EcoDensity Planning Initiative, 2007b).

Federal funding for affordable housing in Vancouver is currently provided under the ‘Canada – British Columbia Affordable Housing Agreement’. Between 2001 to 2008 the federal government will have contributed CD\$108 million and the BC government \$34 million annually to subsidise construction of units for those in greatest housing need (BC Housing 2007). Much of this funding has been used to construct affordable housing within the Vancouver region.

4.2.3 Planning for affordable housing in the City of Vancouver

Vancouver City has two primary land use plans for the municipality: the Central Area Plan (originally made in 1991 but significantly amended since that time) and the CityPlan (2003), both of which support the creation of nodes as a focal point for jobs, amenity and transport. These primary nodes are Downtown, Central Broadway and a series of Neighbourhood Centres (City of Vancouver 2006a, p.2). Housing affordability issues have been most pronounced in the Downtown Eastside district of Vancouver. This area has been the subject of a Housing Plan that was adopted in October 2005.

This district is a historically important part of the City of Vancouver in that it contains the Gastown area which is at the core of the old Downtown. The area now provides the primary stock of affordable housing for the City of Vancouver and is widely known as the least affluent part of Vancouver. Although market housing and commercial development have increased in and near the Downtown Eastside area in recent years, the Downtown Eastside remains economically and socially disadvantaged. However, the residential real estate market has strengthened, and a substantial amount of market development is expected in the area over the next decade largely due to a lack of supply of appropriate sites in the Downtown core.

This market development will continue to increase the variety of residents and shops in the Downtown Eastside and surrounding areas. There is upward pressure on land values that have increased significantly within most sub-areas of the district and will restrict existing low-income housing supply. It is likely that homelessness will increase unless existing low income housing is preserved or replaced.

Planning agreements for non profit housing

The City of Vancouver planning framework enables negotiations with developers to secure low cost housing with a Housing Agreement. Examples of affordable housing types that can be facilitated by bonuses include units developed under state or federal government housing programs; price controlled, limited equity market units; units controlled, managed or owned by non-profit housing groups providing affordable housing; guaranteed rental units with rent control mechanisms; housing for people with special needs; or the provision of accessible or adaptive units.

The Downtown Eastside Oppenheimer District Official Development Plan requires that all development above a specified density (currently a floor space ratio to site area over 1:1) must have a minimum of 20 per cent social housing. This percentage may be measured by either a proportion of the number of units in the complex or according to the floor area of units. Incentives for social housing such as relaxations in density and height may be specified, and are required in the sub area of Victory Square (City of Vancouver 2005). It has also been proposed that the City uses zoning tools like height and floor space bonuses, and relaxations in unit size and parking for new developments, in exchange for a Housing Agreement that guarantees the units are rental rather than sale stock.

Municipalities have several methods available to ensure units are actually developed and used for affordable housing, including a legal agreement to deliver affordable housing (involving registration of terms and conditions on land title) either through a covenant or housing agreement; construction and delivery of housing prior to final registration of subdivision, or issue of building permit, or issue of occupancy permit; or provision of a letter of credit, similar or equal in value to the housing, which the municipality can hold as security or cash if the housing is not delivered (BCOHCS 1997).

Land acquisition for affordable housing

In 2001, the City of Vancouver made a commitment to purchase sufficient sites for below market lease to Provincially funded social housing programs with a view to creating 300 to 400 new social housing units per year (City of Vancouver 2005). In 2001, 37 per cent of all social housing developments in Vancouver were built on City owned land (Gray 2001). The Council makes capital grants to non-market housing projects using funds derived from development cost levies (City of Vancouver 2005).

Preserving existing supply

The Vancouver Agreement commenced in 2000 as a partnership between the Federal, Provincial and City Governments. The Agreement focuses on the Downtown Eastside and includes initiatives in health and safety, economic capacity, problematic drug use and housing. The Agreements states as a key objective that there is to be no net loss of low income housing in the Downtown Eastside. A Housing Plan for the Downtown Eastside was adopted in October 2005. This Housing Plan creates a vision for the area to be a functional mixed-income community whilst preserving the existing low income housing stock. The plan also establishes sub area housing plans.

In 2003 the Council adopted the Single Room Accommodation By-law No. 8733. This bylaw requires that owners seeking to convert or demolish Single Room Occupancy (SROs) units must receive a Council approved permit and possibly pay a fee of up to \$5000 per unit. The aim is to regulate the conversion or demolition of single room accommodation to prevent future loss of this type of accommodation. An additional initiative introduced by Council to maintain the existing supply of SROs is the relaxation to the Building By-laws applicable to SRO owners. Provided that SROs are upgraded and maintained as low income housing alternative by-law requirements are relevant to SRO building owners, including relaxations in the area of fire and life safety and requirements for full seismic upgrades (City of Vancouver 2005).

In July 2007 Metro Vancouver put forward a *Draft Regional Affordable Housing Strategy* as part of its 'Sustainable Region' initiative, with one of its main goals to "increase the supply and diversity of modest cost housing" (Metro Vancouver 2007, p. 4). It seeks to do this primarily by requiring member municipalities to establish affordable housing targets through increased density in appropriate areas, smaller lot sizes, allowances for secondary suites, the adoption of inclusionary zoning or density bonuses, reduced parking requirements for affordable homes and rental housing, and the identification of government properties that could be developed or leased at below-market rates (Metro Vancouver 2007, p.4). It also seeks to require municipalities to stop the loss of rental housing stock by adopting replacement measures, approving secondary suites and developing ways to prevent excessive condominium or strata conversion (Metro Vancouver 2007, p. 7). These measures represent a major extension of affordable housing initiatives in the region, which to date have largely been confined to Vancouver city itself.

EcoDensity

The concept of 'EcoDensity' emerged in early 2006 as a strategy for spreading the City's rapid population growth more evenly across the whole of the city, rather than concentrating it in the downtown area. Vancouver City Council adopted 'EcoDensity' as an official policy in July 2006. The policy is intended to increase the overall supply of housing, introducing a diversity of sustainable housing types, using existing transport, shops, services and infrastructure to reduce the 'ecofootprint' of the city. The policy promotes the three objectives of "sustainability, livability and affordability" (City of Vancouver 2006, p.1). A list of suggested "tools and actions" was released in May 2007, including the rezoning of arterial areas to permit row houses and low-rise apartments, the rezoning of all single-family areas to permit infill housing, the exploration of higher-density housing adjacent to parks, and the relaxation of restrictions to home-based businesses (Vancouver EcoDensity Initiative 2007a, p.1). In addition, zoning and development regulations will be reviewed for potential ways to reduce barriers to sustainable design and development and ways to allow for more ecologically sustainable features in higher-density developments, such as urban gardening (Vancouver EcoDensity Initiative 2007a, p.2).

4.2.4 Outcomes and summary

The EcoDensity approach is meant to build on existing densification approaches used in the downtown area and neighbourhoods, and complements existing City initiatives for affordable housing (Vancouver EcoDensity Initiative 2007b). It is intended to address affordable housing by increasing housing supply, increasing the types, tenures, size, and locations of available properties, and working with existing programs that link density and affordability (*ibid.*, p.5). These policies include the density planning bonus which stipulates that any downtown redevelopment project must commit at least 20 per cent of its dwelling unit to non-market housing in exchange for increased floor space. The planning bonus has generated over 2,600 affordable housing units since coming online in 1988 (Canada Mortgage and Housing Corporation 2006). Other programs designed to link density objectives with affordable housing goals include the capacity to add secondary suites in all single-family zoned neighbourhoods (Vancouver EcoDensity Planning Initiative 2007b, p.21). Condominium apartments in certain areas may also have potential for subdivision in the form of “suites within suites” (Vancouver EcoDensity Planning Initiative 2007b, p.23).

Community concern about increasing housing density has been a major issue however, and the consultation process supporting the CityPlan and Ecodensity initiative have focused on identifying areas in which increased density will be acceptable to local residents. A major concern is that land values in rezoned areas will rise, reducing rather than assisting housing affordability. Property owners believe that if land values increase, their local taxes (determined by the value of their land) will also rise. This would have implications for rental prices as well.

These issues notwithstanding, the Vancouver case presents an emerging model for how affordability goals might be addressed simultaneously with other significant planning objectives, such as environmental sustainability and growth management.

4.3 The United Kingdom and the Greater London Authority

Affordable housing is a central objective endorsed by national planning legislation in the United Kingdom. The defining characteristics of the approach in the United Kingdom include a strong housing needs assessment framework matched by clear targets for addressing identified needs at regional, local and site level. A National Housing Planning and Policy Advice Unit, overseen by an independent board, promotes housing affordability. The Unit has established a consistent methodology for determining the impact of different supply scenarios on housing affordability and uses this evidence base to advise regional and local planning authorities on their supply targets.

4.3.1 Reform agenda for housing and planning in the United Kingdom

Housing and planning policy in the U.K. are under reform, largely in response to a massive shortfall in new housing development since the 1970s (see the independent reviews of housing supply in Britain, the Barker Review of Housing Supply (Barker 2004) and the Barker Review of Land Use Planning (Barker 2006)). The reform agenda is articulated in the Government's Housing Policy Green Paper, 'Homes for the future: more affordable, more sustainable' (DCLG 2007). The housing Green Paper seeks to achieve affordability through a dramatic acceleration in the construction of new housing supply, from a current level of 185,000 new dwellings (in England) to 240,000 new homes per year by 2016.

These new supply targets are to be achieved largely within existing urban areas. Environmentally sustainable, 'carbon neutral' and ultimately 'zero carbon'

development is to be achieved through stronger building controls on carbon emissions and water usage. Current regional and local housing targets are under review to identify opportunities to increase new housing development and manage new 'Growth Points' (areas specifically designated for significant new growth) and 'eco-towns' (which are to exemplify sustainable building approaches, predominantly on brownfield land). A new 'Housing and Planning Delivery Grant' has been announced to resource councils who "are delivering high levels of housing" or "have identified at least five years worth of sites ready for development" (DCLG 2007, p.8). Ultimately councils will be required to show they have sufficient new housing opportunities to meet supply targets for 15 years, in line with the Government's revised planning policy for housing Planning Policy Statement Three (PPS 3), which was introduced in November 2006. If local authorities have not identified sufficient land or issue sufficient planning permissions for new housing, their decisions are more likely to be overturned by planning inspectors on appeal.

Surplus government land is expected to contribute 200,000 new homes by 2016. Disused local authority and other government land is to provide a lever for partner investment and partnership for urban renewal. Surplus public sector land will provide a basis for achieving shared ownership homes (where equity is split between an eligible household and a local housing company), without the need for additional government grants. To ensure that approved housing developments proceed, the Government is also investigating ways to require developers to commence once permission is issued, and to develop "a consistent approach to the disclosure of land holdings" (DCLG 2007, p.8).

Mainstream government funds for infrastructure will focus on growth areas and there is an additional community infrastructure fund for designated 'Growth Points' and eco towns. A *Planning-gain Supplement Bill* has been prepared to enable a higher and more certain level of development contributions to be collected in recognition of the 'value uplift' that the planning system generates, although a final position on a new infrastructure collection model has not been confirmed (DCLG 2007, p.9).

Box 4.1: Local authorities and housing in the United Kingdom

Local authorities in the United Kingdom have always played a strong role in housing assistance and were traditionally responsible for the planning and delivery of social housing. By the mid 1980s national housing policy had shifted to emphasising home ownership and directing investment in the development and renewal of social housing to the housing association sector. Existing social housing tenants were encouraged to purchase their homes under a 'Right to Buy' scheme and mortgage lending restrictions were relaxed. The role of local authorities shifted to one of identifying local need and formulating strategies to address that need through the planning process. This role was enabled under national legislation and policy (Crook *et al.* 2002). Although local authorities currently retain responsibility for about 56% of the social housing sector in the United Kingdom, this stock is increasingly managed by arms length organisations. Housing Associations, also known as "Registered Social Landlords", deliver the remaining social housing stock (RSLs) (2005 data from http://www.communities.gov.uk/pub/7/Table101_id1156007.xls).

4.3.2 Increasing affordable housing supply in the United Kingdom

Affordable housing in the United Kingdom includes "social rented, low cost home ownership and intermediate rented housing, provided to specified eligible households whose needs are not met by the market" (DCLG 2007, p.121). Government expenditure to support new affordable housing supply between 2008 to 2011 has been increased by £3 to £8 billion, supporting at least 180,000 new affordable housing dwellings between 2007 to 2010. A target of 70,000 new affordable dwellings per

year by 2010 to 2011 is intended to increase following the Government's next "spending review" (DCLG 2007, p.10).

4.3.3 *The planning framework*

The *Town and Country Planning Act 1990* (TCPA 1990), as substantially amended by the *Planning and Compulsory Purchase Act 2004* (PCPA 2004), articulates a national legislative framework for plan making and development assessment. Supporting the TCPA are national level policies issued by central government and regional and local level statutory development plans containing the detailed regulations applying to land. These regulations must prevail unless a "material consideration" (defined in national planning policy) indicates otherwise (Barker 2006, p.28). In 1992, *Planning Policy Guidance 3: Housing* (PPG3) established housing as a "material planning consideration" for development plans and assessing proposals. Amended in November 2006, the Guidance explicitly requires local planning authorities to "plan to meet the housing requirements of the whole community", including those in need of affordable and special needs housing (PPG3, p.2). A focus is on providing sufficient new land for housing by re-using "previously developed land within urban areas, bringing empty homes back into use and converting existing buildings" (PPG3, p.2).

PPG3 establishes a regional process for new housing supply targets, including estimates of the balance between market and affordable housing. Local authorities are required to implement this regional planning guidance through their development plans. *National Circular 06/98: Planning and Affordable Housing* provides more detailed guidance for undertaking needs assessments to support affordable housing targets at local and site level. These targets should be identified in local plans, which should also indicate an intention to negotiate with developers for the provision of affordable housing on identified sites. Negotiations should take into account the viability of the project and any available funding for social housing. The circular emphasises that affordable housing should "encompass both low-cost market and subsidised housing (irrespective of tenure, ownership – whether exclusive or shared – or financial arrangements) that will be available to people who cannot afford to rent or buy houses generally available on the open market" (Circular 06/98, p.4).

There are two specific levers for securing affordable housing: contributions negotiated under section 106 of the *Town and Country Planning Act 1990*; and through the 'rural exceptions' mechanism, which allows developers to overcome local planning rules constraining new housing development, provided that the housing is to meet local affordable housing needs.

We now look more closely at how this national planning framework for affordable housing operates in practice through the case study of the Greater London Authority.

4.3.4 *Case study 16: London and the Greater London Authority – Securing 50 per cent affordable housing in new development*

London is the largest city of the United Kingdom with a population of over 7.5 million (GLA 2007a). London and the surrounding south east region have experienced significant growth over the past decade, particularly in new household formation. The average price of a home in London was £281,000 in 2006, the highest average value of all of the English regions and more than twice the average price in the lowest cost region of the North East (GLA 2007a, p.11). According to the Greater London Authority up to 35,000 new dwellings per year are needed, 65 per cent of which should be affordable (comprising social and 'intermediate' housing). The high proportion of affordable housing needed reflects "the existing backlog of homelessness and overcrowding and declining affordability of market housing" (GLA 2007a, p.10). Housing targets for local boroughs in the Greater London Area were

increased to 30,500, based on existing identified capacity, mostly around the 'Thames Gateway' area and London's East. Increasingly new housing constructed in London includes mixed affordable and market components, consistent with targets for mixed communities established by the Greater London Authority since the late 1990s. As a result of a strong affordability agenda led by the Mayor of London, Ken Livingstone, overall house building rates have increased in the past five years to almost 25,000 new homes per year in 2005/06 (GLA 2007a).

Planning and governance framework for London

The Mayor of London has wide jurisdiction over subsidiary local authority units, known as the London Boroughs. The London Plan establishes the legal and policy framework for planning and development across the boroughs. In 2004, the London Plan introduced a target for 50 per cent of new housing across the region to be affordable. Of this, 70 per cent should be social housing and 30 per cent 'intermediate' housing, where a Housing Association maintains an equity share of housing purchased by households on moderate incomes. Prior to the introduction of the 2004 London Plan, most boroughs sought around 25 per cent affordable housing through planning mechanisms (Cousins *et al.* 2001).

Boroughs must use their planning powers "to maximise the amount of affordable housing provision" (GLA 2004, p.63). The plan stipulates that affordable housing requirements be applied to sites with 15 or more residential units, although there are proposals to reduce the threshold in London to 10 units, reflecting the limited availability of larger sites (GLA 2007b). The preference is for on site affordable housing contributions but in exceptional cases the borough and developer negotiate an off site or cash-in-lieu contribution (GLA 2004, p.66). Supplementary planning guidance for London specifies that the proportion of affordable housing contribution required should be in terms of gross floorspace, rather than numbers of units (GLA 2007b, pp.51-52).

Specific targets for each individual Borough are contained in the London Plan and derived from a regional housing needs and capacity study. The current target is for 30,500 new homes to be provided each year through to 2016 including 100,000 homes to be provided in Thames Gateway and 9,000 homes in Lower Lea Valley, associated with the 2012 Olympic and Paralympic Games (GLA 2007b, p.27).

The *London Plan Supplementary Planning Guidance for Housing* (LP SPG 2005) contains several specific provisions designed to protect existing forms of low cost housing, promote housing variety and choice, and secure affordable housing contributions. The Guidance requires that if affordable housing is lost, it should be replaced at existing or higher densities (LP SPG 2005, Policy 3A.12 Loss of Housing and Affordable Housing). Boroughs should resist or prevent loss of hostels and short-term (less than 90 days) accommodation, unless they have made provision to provide housing to equivalent or greater standard densities (Policy 3A.13 Loss of hostels, staff accommodation and shared accommodation). A survey of housing needs in each borough must be undertaken, and the housing requirements of current and future households identified to understand local housing needs (Policy 3A.4 Housing Choice). Finally, councils should seek the "maximum reasonable amount" of affordable housing from negotiation schemes, in order to reach affordable housing targets (Policy 3A.8 Negotiating affordable housing in individual private residential and mixed-use schemes).

To support boroughs in determining the "maximum reasonable amount" able to be secured through negotiations under s106 of the TCPA 1990, the Greater London Authority has created a toolkit for boroughs and planning applicants. The toolkit was

developed by Three Dragons and the Centre for Residential Development at Nottingham Trent University, and is made available free to boroughs and for purchase to other jurisdictions. While not a mandatory component in the planning process, the toolkit provides the basis for applying consistent and validated methodology for determining affordable housing contributions according to different site, project and market characteristics, and the availability of social housing grant.

In September 2007, the Mayor introduced a new draft housing strategy for London (GLA 2007b). The strategy is to be formally adopted in 2008 after a period of consultation. It reinforces many of the policy directions contained in the existing London Plan to increase new housing supply and the supply of dedicated affordable housing. All new developments must achieve the “highest possible intensity of use compatible with local context” (GLA 2007b, p.74). The London Plan sets out a matrix for establishing acceptable density for various areas based on setting, location, area transport and other services. Boroughs are encouraged to use their powers to “tackle empty homes”, with the objective of reducing vacant housing to no more than 2.5 per cent of London’s housing stock by 2016 (*ibid.*, p.39).

The draft strategy emphasises new housing development opportunities and foreshadows a new agency to consider long-term strategic investment considerations associated with land release and housing. All public lands within the region are to be assessed for housing suitability. If appropriate, they should be released into the market in a way that “stimulates competition and maximises build out rates, while maintaining strategic public control over the pattern of development” (*ibid.*, p.48). This approach should avoid “bidding wars” over sites, which drive prices up while reducing the quality of buildings, and limit the potential to secure planning gain and affordable housing contributions (*ibid.*, p.48). The draft housing strategy includes a commitment to ensuring that boroughs and housing developers make their full contribution to meeting affordability targets by “seeking and accepting grant that is available” (*ibid.*, p.44).

Difficulties in meeting ambitious targets for London include the need to secure new housing opportunities on brownfield land, which is often more costly to develop. Current new supply opportunities are focused on a small number of large sites in the Thames Gateway, which will require significant investment in infrastructure, transport and social investment (in the provision of community services and public space) to be viable (*ibid.*). There are also technical difficulties at the local planning level. Many local plans fail to specify the actual size of properties on particular sites, which can lead to developers building smaller properties below the threshold of 15 units, to cut costs and avoid the affordable housing contribution. This tendency further supports the proposal to move to a lower threshold of 10 units (Hill, pers comm).

4.3.5 Summary and outcomes of experience in the United Kingdom and the Greater London Authority

The strong policy emphasis on increased housing supply in the United Kingdom overall and within London in particular has clearly changed the local planning environment. In the last two years nearly double the number of planning permissions were granted for new homes in London than were permitted in the late 1990s. For instance, approximately 28,000 permits were issued between 1996/97, rising to over 50,000 by 2005/06 (GLA 2007a, p.9).

Further, the national and regional statutory planning framework for affordable housing delivery and increased housing supply is demonstrating clear outcomes. Building rates now exceed targets set in the Mayor’s London plan, and total net provision of housing (including non-residential conversions and reclamation of abandoned homes)

increased from 24,608 in 2003/04 to 28,309 in 2005/06 (GLA 2007b, p.24). Overall production of affordable housing units also increased, from 6957 homes in 1999/2000 to 8641 in 2005/06 (*ibid.*, p.24). However, clearly even this level of increased output falls short of the Mayor's stated goal of 65 per cent of new housing to be within the affordable sector. The s106 mechanism too has delivered concrete outcomes but at around 700 affordable homes each year, these remain only a small proportion of overall output (*ibid.*, pp.144-145). One of the strengths of the system in the United Kingdom is the capacity to negotiate for an outcome consistent with strong regional targets without the constraints of fixed development controls or requirements on land, so planners have maximum opportunity to negotiate concessions for an affordable housing outcome (Hill, pers comm).

The strong national policy framework for affordable housing means it is a policy consideration that can outweigh many other competing claims, depending on the level of assessed need within a particular local or regional area. This means that resources secured through the planning process can be dedicated for affordable housing provision. The strong commitment to maintaining existing affordable housing levels on site enables essential upgrading of housing to proceed, in theory without displacing vulnerable residents in the long term. The availability of capital funding for affordable housing development complements the strong planning framework, enabling ambitious targets to be achieved. This maximises the leverage realised from capital investment in housing assistance. The availability of the social housing benefit paid by eligible tenants of affordable housing also support the viability of affordable rental housing secured through this process. The emergence of other models, such as shared equity low cost home ownership (where the equity partner is a registered social landlord), increases the potential viability of these affordable housing projects by enabling cross subsidisation and releasing equity. Finally, the emergence of registered social landlords as major developers in their own right provides the delivery infrastructure needed to achieve these ambitious affordable housing targets.

4.4 Ireland

This section examines the implementation of new planning requirements for affordable housing inclusion in Ireland, where a fundamental change in national planning legislation has been introduced to secure mixed tenure housing in new developments. We focus on the implementation of this legislation within the local authority of Galway, where the new legislation resulted in 236 affordable housing units within its first year of operation.

4.4.1 National planning framework for affordable housing in Ireland

There is a national framework for planning and housing policy in Ireland. The central objective of national housing policy is "to enable every household to have available an affordable dwelling of good quality, suited to its needs, in a good environment and, as far as possible, at the tenure of its choice" (DEHLG 2007, p.17). Ireland's National Development Plan 2007-2013, which outlines the nation's infrastructure funding policies, supports this goal and allocates €21 billion for housing investment across social and affordable sectors (Republic of Ireland 2007, p.47).

Securing land for affordable housing is a key focus of Irish planning legislation. As outlined in the positioning paper for this project, the Irish *Planning and Development Act 2000* (PDA) supports this policy objective by securing land for affordable housing during new residential development processes. Local authorities must respond to future housing demand by articulating housing strategies that establish opportunities for new social rental housing and affordable housing for sale to low and moderate income households at below market value. When new residential developments are

approved, Part V of the PDA requires authorities to ensure that 20 per cent of the development incorporates social or affordable housing, as a condition of planning approval (Williams 2005). Developers may transfer the specified proportion of dwellings, land or sites to local authorities in return for compensation “at the level of the existing use value (in the case of land), development costs (in case of sites) and reasonable profit (in case of houses)” (Norris 2006, p.200). Subsequent changes to the Act provided new alternatives for developers to meet their obligations through cash compensation, and/or dwellings, land or housing sites in alternative locations (Williams 2005).

These requirements were introduced during a period of rapid population growth and increased new household formation, which created increased demand for housing (DEHLG 2007). While new house construction rates in Ireland have increased dramatically over the past decade, and are the highest per capita in Europe, affordability problems for low and moderate income households remain (DEHLG 2007). At the national level, there are also concerns about the design of existing social housing and concentrations of poverty in social housing estates. The Part V provisions address these issues by securing sites for new social and affordable housing and ensuring these sites are situated within mixed tenure residential developments, so reducing socio-spatial segregation.

4.4.2 Case study 17: Galway – Implementing Part V of the Planning and Development Act

Galway is a regional city and surrounding rural area with a total population of 231,670 (Central Statistics Office 2006). An industrial and cultural hub, Galway is the educational centre of western Ireland (Galway City Council 2005, p.5). It has the fastest growing population of any Irish city, growing 15 per cent between 1996 and 2002 (Galway City Council 2005, p.5). In February 2005, Galway’s City Development Plan 2005-2011 came into effect as mandated by Ireland’s *Planning and Development Act (PDA) 2000*. The Development Plan outlines the City’s planning and development strategy to 2011. A Housing Strategy, which outlines key housing policy and implementation arrangements, is a requirement of the Part 5A provisions of the national PDA 2000. In addition to the Housing Strategy, as part of Galway’s City Development Plan, Galway City Council undertook a Housing Action Plan for 2004 to 2008 that set specific goals for housing provision in the city, among them the provision of 1150 new residential units and the production/acquisition of 1,000 additional affordable units through the Part V mechanism (Galway City Council 2005, p.7).

Consistent with the provisions of the *Planning and Development Act 2000*, Galway’s Housing Strategy specifies that 20 per cent of housing in private residential developments or mixed residential development be transferred to local government authorities for affordable home ownership housing (Galway City Council 2007). Eligible candidates for affordable housing secured under this mechanism must have lived in Galway City for over a year and be employed fulltime, and the purchase payments for the property must not exceed 35 per cent of their net annual income (*ibid.*). Purchasers agree that if they sell their house within 20 years, they must pay the local government a percentage of the sale of the house.

To encourage Part V housing, the council formed a ‘cross-departmental team’ comprising staff with housing, planning and architectural expertise. This team assists developers and planners with the negotiation process. Clear guidelines have been set for both planning staff and developers, which are available both in hard copy and online, and pre-planning meetings between local authority officers and developers are encouraged (Galway City Council 2005, p.8). Developers may fulfill their obligation

through either direct transfer of 20 per cent of the land zoned for residential use, or through the transfer of completed on-site units, fully or partially serviced sites on-site, or completed residences at another location within the 'Functional Area' of Galway City Council (Galway City Council 2004, p.4). Guidelines emphasise the need for affordable and market units to be indistinguishable in appearance, and the need to ensure that "undue social segregation between persons of different social backgrounds" does not occur (Galway City Council 2004, p.10).

4.4.3 Summary and outcomes

The Part V mechanism under the *National Planning and Development Act 2000* has delivered a modest supply of new affordable dwellings to date. In 2005, 20 affordable units were built at a development at 'Sli Burca' and 216 affordable units were built at 'Merlin Park' in the Ballybane Neighbourhood development (Galway City Council 2005, p.7). These units are part of a larger regeneration scheme including a medical centre, library, retail development and a medical centre, many of which are intended to serve the local Traveller community. The overall development of Ballybane was guided by an integrated Master Plan which sought to integrate mixed-tenure, mixed-income development and attract local business. Of the 216 affordable mixed-tenure housing built, 75 are for owner occupation, 125 for social renting, and 16 are specifically for the Traveller community. In 2006, 79 units were delivered under Part V in three locations across Galway City (Galway City Council 2006, p.5).

The lag time between national legislative change and revised local planning provisions mean that it is premature to evaluate this mechanism fully. However, practice at the national level suggests that the mixed tenure approach is gaining momentum over time. Nationally 374 dwellings were delivered under Part V in 2004, which had increased estimates of 962 units by 2005 (Brooke 2006). The National Development Plan anticipates that 17,000 affordable dwellings will be delivered between 2007 to 2009, rising to a total of 40,000 by 2013 (Republic of Ireland 2007, p.48).

4.5 The Netherlands

This section focuses on how regional planning can be used to influence the development and distribution of affordable housing. It uses as an illustration the case of the Rotterdam urban region in the Netherlands.

4.5.1 Background: regional planning for affordable housing

As described in the positioning paper for this study (Gurran *et al.* 2007), the Netherlands until recently has not exhibited a market led approach to the provision of housing. Throughout most of the 20th century, the supply of land and housing was funded and regulated by central government and driven by municipalities and also, increasingly from the 1970s, by large and well resourced not for profit housing associations.

This has produced, *inter alia*, a distinctive housing tenure pattern in the Netherlands, marked by a large and diversified social housing sector. In 2006, social housing comprised 33 per cent of all dwellings in the Netherlands, down from a peak of 42 per cent in the 1980s (MVR0M 2006, Milligan 2003).

Since the 1990s, profound political, economic, demographic and social changes in the Netherlands have contributed to fundamental shifts in housing, planning and regulatory policies, and in the structure and operation of the Dutch housing market. Indicators of the changing regime include:

- The move to a market led model of housing provision, although Dutch non profit housing associations remain as significant funders and producers of housing;
- Rapid growth in home ownership⁶ and increasing emphasis in urban and housing policies on promoting this tenure;
- A new national urban renewal policy (from 1995), which seeks to promote greater differentiation of tenure in existing areas with high concentrations of social housing, through the introduction of building for homeowners and the demolition and/or sale of social housing⁷; and
- Containment of a greater share of urban development to specified locations in close proximity to existing urban areas under national spatial planning policy after 1990 (Milligan 2003, Gurran *et al.* 2007).

As significant changes to the structure of the housing system in the Netherlands have progressed, new policy approaches to influencing the housing market have emerged, particularly to address issues of housing quality, supply, distribution, affordability, social cohesion, liveability and sustainability. This case study concerns a particular attempt at a regional level to using a planning approach to influence the level of social housing output in all municipalities and to change the distribution of social housing within a region.

4.5.2 Case study 18: Rotterdam Region and Barendrecht municipality – regional methodology for diversifying affordable housing opportunities

The Rotterdam city region in the Netherlands comprises 18 municipalities,⁸ approximately 1.2 million people and 545,000 existing dwellings. The largest municipality is the City of Rotterdam with over 600,000 people (Stam, pers comm 2006).

Local context

Past urban and housing policies have produced divergent tenure patterns across the region. In particular, there are very significant concentrations of social housing in many of the older inner areas, provided mostly in multi unit developments. On the other hand, newer suburban areas have a predominance of single family dwellings and have failed to provide sufficient affordable housing, thus leaving it to the city areas to continue to meet the needs of most lower income households⁹.

Today, many of the poorest quality neighbourhoods of predominantly social housing in the inner 'post war' neighbourhoods comprise large concentrations of non-Dutch born households, particularly Turkish and Moroccan immigrants, who are considered by many to be poorly integrated into Dutch society.

⁶ In 2006, 55 per cent of Dutch households were home owners compared to 43 per cent in 1986 (MVRM 2006, Milligan 2003).

⁷ Previously urban renewal in the Netherlands was focused on improving 'pre war' neighbourhoods of (mainly) social housing for existing residents. Since the 1990s, the focus has shifted to restructuring disadvantaged 'post war' neighbourhoods and redeveloping brownfield sites to achieve social and tenure mix policies (Korthals Altes 2005).

⁸ The 18 municipalities that make up the city region are Albrandswaard, Barendrecht, Bergschenhoek, Bernisse, Berkel en Roenrijs, Bleiswijk, Brielle, Capelle aan den IJssel, Hellevoetsluis, Krimpen aan den IJssel, Maassluis, Ridderkerk, Rotterdam, Rozenburg, Schiedam, Spijkenisse, Vlaardingen and Westvoorne.

⁹ For example, while the City Rotterdam has over 50 per cent social housing and some suburbs over 80 per cent, the municipality of Barendrecht discussed in Section 4.5.4 has 24 per cent (Afra Boon, pers comm 2007).

With the changes in Dutch society already referred to and recent international and national incidences of terrorism and social unrest, Rotterdam, like other big Dutch cities, has experienced increasing community and political concern with safety and security in neighbourhoods where ethnic groups have become concentrated, giving rise to racial tensions. This situation has led to growing national, regional and local policy attention to the problems of disadvantaged and segregated neighbourhoods¹⁰.

Among a range of local responses to this issue, the Rotterdam Municipality has been at the forefront of attempts to promote the dispersal of social housing and to change allocations policies for social housing in 'problematic' neighbourhoods with a view to adjusting the ethnic and social composition of those neighbourhoods. In 2004, the municipality began experimenting with a policy that prohibited the allocation of low income households (those with incomes below 120 per cent of the minimum wage) from outside the area to designated deprived neighbourhoods¹¹. As well, Rotterdam Municipality has used its influence in the region to argue for the relocation of people from the most disadvantaged areas within its districts to social housing elsewhere in the suburbs.

Thus the situation of geographically concentrated disadvantage, perceived ethnic segregation and concerns for safety and security in central Rotterdam has provided one context for the drive for a common regional approach to addressing the housing needs of low income and immigrant households. A regional planning model for housing in the Rotterdam regional area was originally developed as part of a ten-year plan (1995 to 2005) for managing urban growth in the region in response to the 1990 national planning policy. Subsequently, a second plan has been adopted for the period 2005 to 2010¹².

The broad housing objectives underpinning the approach taken to planning the development and renewal of housing in the Rotterdam region include a strong commitment to mixed communities and the continuing production of social housing. Under the first plan the provision of up to 30 per cent social housing was considered desirable, although not achieved for reasons discussed below. The target level of social housing in the new plan is 26 per cent of new provision over the 5-year period to 2010 (calculated from Stadsregio Rotterdam 2005, part 2.2 (Het regional woningbouw-scenario 2005 to 2010 met bijbehorend financieel scenario, Appendix A, p.43).

Arising from the distinctive housing tenure pattern of the Netherlands and current community and political concerns with intra-urban segregation and ethnic unrest, these commitments have given rise to two key interrelated regional planning considerations. The first has involved considering how to encourage middle and higher income households into the inner cities, which historically had very high concentrations of social housing, in order to combat social segregation and to improve the economic vitality of those areas. The second consideration has been to find mechanisms capable of ensuring that newly developing suburban areas would provide an appropriate share of social housing in new developments. This aims to offset losses of social housing in the inner areas and, relatedly, to provide housing for

¹⁰ In 2002, a right wing anti immigration party, associated with assassinated Dutch politician, Pim Fortuyn, was elected to power in Rotterdam Municipality.

¹¹ In 2006, a law with similar aims and powers was passed in the Netherlands and has been dubbed the 'Rotterdam Law'. Under this law, municipalities in a limited number of big cities in the Netherlands can impose income quotas in rundown neighbourhoods and prevent jobless people moving from one city to another (Bolt, pers comm 2007).

¹² Under the first housing plan a target of 53,000 dwellings was established for the region. The current plan is for the provision of 38,000 new dwellings.

those being displaced by the renewal process, and also to provide options in each local community for those residents who may require social housing at some stage of their lives.

Below we describe in more detail the planning process, the governance model and the financial and delivery mechanisms that form parts of the approach to planning for housing in the Rotterdam region.

Aspects of the model: the housing plan

The housing plan for the Rotterdam region (Stadsregio Rotterdam 2005) is the main policy framework for the municipalities and the local housing associations. The housing plan contains the policy directions for the development and renewal of housing across the region, in keeping with a spatial planning agreement and an implementation agreement that have been signed with the national and provincial governments (Fourth Memorandum on Spatial Planning Extra Implementation Covenant and the Spatial Planning and the Environment Policy Covenant for the Rotterdam region). The plan comprises rules, regulations, guidelines, monitoring arrangements and covenants (signed agreements between regional and local parties) that relate respectively to land release and development; housing supply, including social housing and seniors housing; urban renewal and the provision of subsidies for these purposes for the period 2005 to 2010.

The regional housing plan is underpinned by a detailed regional housing market analysis, which involves an assessment of the dynamics of the whole housing market in the region and monitoring of all housing flows – i.e. sales, new rentals, demolition, developable sites, new build and stock changes through urban renewal. The housing plan is also supported by a more detailed implementation plan, which identifies major neighbourhood renewal and new supply projects. Within the plan, the house building scenario sets out the number of new homes planned by type (e.g. single family home, aged persons housing) and price bracket for each municipality per year. Targets are set for both social housing for rent or sale, and market dwellings¹³. This supply plan and the locally disaggregated targets are incorporated in a regional agreement on the requirements for the distribution of housing and guidelines for the relocation of residents who are displaced by neighbourhood renewal processes. All municipalities and housing associations operating in the region are parties to this agreement, which is in effect the housing supply model for the region.

Under the overall target of a maximum 30 per cent of new production being social housing, varying minimum or maximum social housing targets apply in different localities. For example, municipalities with high existing levels of social housing are allowed a maximum 20 per cent of new build as social housing; other larger municipalities are allowed a minimum of 40 per cent; and smaller municipalities are allowed a minimum of 30 per cent. Minimum 20 per cent social housing targets apply in designated urban release areas (known by the Dutch acronym VINEX), which are the most significant new supply areas.

The impact of these rules on the distribution of social housing for the period 2001 to 2010 is estimated to be a net decline of 15 per cent in the municipalities with high existing concentrations but an increase in social housing supply in the remaining municipalities of nearly 6 per cent. In absolute terms social housing is expected to

¹³ In the Netherlands the term social housing applies to housing for rent at sub market rents or housing for sale at sub market prices. In nearly all cases this housing is financed, developed, owned and managed by housing associations. The provision of rental housing is the main activity of housing associations although sales programs are expanding under the influence of national policies to promote home ownership and diversify tenure in dominantly social housing areas.

decline by 10 per cent across the region as a result of demolition and tenure restructuring in urban renewal areas (calculated from Stadsregio Rotterdam 2005, part 2.2 Appendix A, p43).

The approach to restructuring urban renewal areas in the Netherlands essentially involves physical changes to designated neighbourhoods – such as the demolition of poor quality social housing, building higher quality housing for sale and urban design and infrastructure improvements. As well, sales of existing social housing in these areas are being used to accelerate tenure change and release funding for other physical changes. Together these physical and tenure changes are intended to influence the economic and social character of the area, and thereby change housing demand (Priemus and van Kempen 1999, Milligan 2003).

The urban regeneration component of the regional housing plan covers the arrangements for the restructuring and management of those areas undergoing renewal in Rotterdam. This includes details of the source and application of the investment budget for regeneration, and the allocation of responsibilities between each municipality and the participating housing associations concerning the management of the renewal process, including the relocation of residents.

4.5.3 Regional governance: Stadsregio Rotterdam

The core agency that has been used to drive and implement the regional planning model is the Stadsregio Rotterdam. This is one of several city wide regional agencies established by the Dutch government and provincial governments to instigate integrated regional planning and management of key strategic functions, including transport, housing and economic development at a city scale. The focus of the agency is on strengthening the economic, social and spatial cohesion of the urban region (<http://www.stadsregio.info>). In housing, the roles of the regional agency include to negotiate and develop regional planning policies, assist with their implementation (e.g. through negotiating agreements with municipalities and by providing guidance, advice and a forum for continuing dialogue and resolution of emerging issues), and to monitor local achievements against the plan.

The Board of Stadsregio Rotterdam is made up of elected representatives of the constituent municipalities. The Chair of the Board is the mayor of the city of Rotterdam, the dominant municipality in the region. The regional body is allocated certain funds and subsidies from higher levels of government (in this case the province of Zuid (South) Holland and various departments of the Dutch government) to distribute within the region. It can also pool funding from municipalities within the region for regional or sub regional projects. Having control over the allocation of these financial incentives provides one foundation for the successful application of a regional planning model as discussed below.

Financial incentives

Most direct government subsidies for the provision of social housing and for urban renewal were withdrawn in the 1990s in the Netherlands. Since that time housing associations – the providers of social housing – have had to rely mainly on their own resources to undertake housing development or renewal projects (see Gurran *et al.* 2007). However, the Dutch government continues to provide location subsidies for infrastructure development and site remediation, as well as block grants to cities and municipalities for stimulating urban renewal processes. The regional agency uses the allocation of the location subsidies in particular to influence the distribution of where new social housing is supplied in the region.

Under the model, regional funds to support housing development are allocated by Stadsregio Rotterdam in accord with the regional plan for the provision of housing, which requires dispersal of the supply of social housing. Thus, where in the past the bulk of such subsidies went to those municipalities with large existing social housing programs (particularly Rotterdam), now they are being offered to surrounding municipalities as an incentive to support social house building in those parts of the region with the least social housing.

To support the overall supply targets, the region provides €5000 for each social housing dwelling for which a development application is received and another €5000 for sites that are rezoned for social housing, as an incentive for municipalities to bring more land into that sector. An additional €3000 is available for providing housing for the aged (over 55 years of age), which is undersupplied in the region currently.

From 2008 following amendments to the Dutch Spatial Planning Act, all municipalities in the Netherlands will also be able to designate areas for social housing in their land use plan and offer concessions on local infrastructure charges to housing associations (Gurran *et al.* 2007).

The role of the housing associations

The investment and development programs of housing associations are critical to the implementation of this model. Dutch housing associations are large, financially viable and asset and resource rich organisations. They have a proven track record in housing development and management, and in urban renewal. In the Rotterdam region there are about 39 housing associations or subsidiaries of associations, which together own around 40 per cent of all existing dwellings. Associations range in size from small agencies with 1000 to 2000 dwellings operating in one or in neighbouring municipalities to much larger cross regional or national organisations that own and manage tens of thousands of dwellings in the region.

As housing associations are not-for-profit agencies with a core charter to deliver social housing, they can generally be persuaded about the benefits of developing social housing in new areas, providing development is financially viable and sites are available. In this context, the requirement for all municipalities to meet a share of the regional social housing targets helps to forge their engagement with the developers of social housing, in this case the housing associations. Nevertheless, achievement of the social housing targets is ultimately dependent on the investment and business decisions of independent housing associations, which are driven by their capacity to meet the rent and sale price requirements for the social housing sector that are set by the Dutch Ministry of Housing, Spatial Planning and Environment

In recent years annual production of social housing throughout the Netherlands has fallen well short of target numbers, because of the rising cost of land and house construction and the absence of significant production subsidies for the sector. For example, across the Rotterdam region in 2005, new social house building represented only 12 per cent of the total additional supply (Stadsregio Rotterdam, undated)¹⁴.

In addition to having municipal targets and subsidies, another way that regional planning can achieve a more distributed model of social housing provision is by harnessing support from the diversity of associations that operate in different parts of the region. Stadsregio Rotterdam plays a key part in this process along with the umbrella body that represents housing associations in the Rotterdam area,

¹⁴ A national proposal to allow housing associations to charge higher rents in return for increasing their output did not proceed following a change of government in 2006. Currently, the new government is considering options for stimulating the social housing supply (Lawson and Milligan 2008).

Maaskoepel. Following negotiations, this agency, like municipalities, becomes a signatory to the regional housing supply strategy and the implementation plan that underpins this.

4.5.4 Experience from Barendrecht municipality

Barendrecht is a small municipality within the region seven kilometres from the centre of Rotterdam. It is presently undergoing significant development, largely by bringing greenfield sites into residential use. Over the last decade or so the area has grown by about 40 per cent to an estimated population of 40,000. Existing villages within the municipality typically consist of single family homes and have an ageing population. Most recent developments have been apartments and house younger households, often commuting to work. Within Barendrecht itself newer areas have less social housing than the sub-regional average. This situation reflects declining subsidies for this form of housing and higher demand for owner occupied housing.

Several housing associations operate in the area. The largest, Patrimonium, founded in 1912, owns about 2,500 units. This association has been developing social housing in the suburb of Carnisselande recently. About 19 per cent of new development in this suburb is for social housing. The aims of the housing association have been to support the dispersal of social housing in the Rotterdam region and to meet the present and future needs of this growing community. However, there have been a number of local problems experienced in implementing the regional housing policy. The association considers these have arisen from:

- The impact of rapid relocation of people from inner city areas undergoing renewal and gentrification to a foreign area without adequate community building and integration strategies. Intensifying political pressure to address racial tensions in existing inner city neighbourhoods has been seen as one factor contributing to the intensity of relocations that have occurred;
- Resistance from private developers to the integration of social housing in their projects – this has led to local (street level) clusters of social housing, which are contributing to segregation and stigmatisation;
- A lack of strategic planning by the municipality, the associations and other community agencies about how to manage rapid growth and social change in their community; and
- Insufficient consideration given to establishing an economically and socially sustainable community – for example, through adjusting the production and allocation profiles of social housing (presentation by Afra Boon, June 2007).

Thus at the local level the missing element of the planning process to date has not been the physical provision of affordable housing but planning for and developing harmonious and sustainable communities. That this situation should arise so early in the development of a new neighbourhood seems particularly ironic, given that a key driver for relocating social housing to this area has been to overcome neighbourhood tensions in other areas.

In Barendrecht, the housing associations and the municipality are now addressing the issues that have arisen by giving greater emphasis to dispersal of social housing within the local area, providing more support for people being relocated to the area, making more investment in community building, and by adjusting housing policies – for example, to offer allocations to younger people to attract them into the area to

work in local service jobs, and by building more aged housing for the local ageing population.

4.5.5 Summary and outcomes of the Rotterdam model

The assessment that can be made in this study of the operation and success of the model outlined above is constrained by the limited availability of information in English and the short duration of two visits made by one of the authors to the region. Preliminary comments on factors that may have influenced the success of the model, and observations about the implications of its application based mainly on reported experience in one part of the region, are offered below.

Overall, the regional housing plan and associated documentation appears to represent an integrated and coherent plan and budget for the supply, distribution and renewal of housing across the Rotterdam urban region, in accord with national urban planning and housing policies. The planning process has been led by an established, city wide regional planning agency, which has limited powers but has adopted a strongly collaborative approach and used a dynamic housing market analysis at regional and sub regional levels to underpin its planning.

The policy of linking targets for renewal in one part of the region (usually inner areas) that involve demolition and sale of social housing and targets for new supply of social housing in other (usually suburban) areas is crucial to ensure affordable housing continues to be provided, but on a more dispersed basis. This requires strong inter-municipal cooperation, which has been fostered by the regional agency and the planning process.

The process has involved consultation, negotiation and eventual agreement with a large network of politicians, officials and non-government stakeholders (housing associations and private developers/builders) from a wide range of organisations with diverse interests. Under the strong influence of the mayor of the largest city in the region, 18 municipalities and 39 housing associations have signed up to a common policy framework and detailed implementation plan for housing development. This approach, especially the development and monitoring of comprehensive agreements with local players, appears to have good potential to counter the risk of fragmentation of urban planning for housing at local government level. Of specific relevance to this study, the coverage of the plan includes annual targets for the production of social housing disaggregated by municipality and guidelines for the relocation of social housing residents across the region to support urban restructure goals and associated neighbourhood renewal plans.

Acceptance of this aspect of the model has occurred in the context of historically strong but changing community support for social housing, and rising community concern with, and political attention to, issues that are seen to be associated with urban segregation and concentrations of poor ethnic minorities in disadvantaged neighbourhoods. Another factor which may have contributed to adoption of the model has been the strong alignment found between the objectives of the city of Rotterdam (the most powerful municipality facing the most social problems), national and regional planning objectives and political trends that have pertained during the early part of this century.

Local experience with the application of the housing policies in the plan has been mixed in the one area visited. The experience of Barendrecht highlights that local planning is as important as regional planning, and that housing targets and housing strategies at the local level have to take account of additional factors to the numbers, type and tenure of new dwellings. In particular, the need to give greater weight to social cohesion objectives, and to invest in community building processes to support

the development of socially mixed and economically sustainable communities at the local level is demonstrated in this case. The presence of strong and resourceful not-for-profit housing associations in local communities in the Netherlands provides one vehicle for responding to such issues. However, there also needs to be sufficient capacity in each local municipality (Korthals Altes 2005).

Finally, the lower level of social housing output in the Netherlands recently, compared to that planned, demonstrates the importance of directly linking funding incentives for affordable housing with planning policies for affordable housing, as has been argued consistently in Australia (see Milligan *et al.* 2004, Milligan 2005, Gurran *et al.* 2007).

Overall, the robustness of this model and its potential applicability in other settings will depend on the extent to which regional housing plans can accommodate several factors: local requirements; changing community expectations; good performance against targets in a highly dynamic housing market context; limited government funding; and what is learnt over a longer time period from the implementation of this ambitious approach to collaborative regional planning for housing.

4.6 Summary of international practice

This chapter has reviewed planning practice for affordable housing across five different nations and in relation to seven local case studies, as summarised below in Table 4. Overall, there is a convergence across each of the jurisdictions reviewed, towards greater use of planning regulation and the private market in meeting affordable housing policy objectives. In part this reflects ideological shifts towards neo-liberal or market based approaches to public policy, including housing and housing assistance. This is particularly so in the United Kingdom and the Netherlands, where the past two decades have seen a fundamental reorientation away from direct public funding and provision of rental housing for low and moderate income groups, towards a far more diversified system of assistance and a very strong emphasis on home ownership (Lawson and Milligan 2008). In this context, the land use planning system has assumed a much greater role in ensuring that the urban development process produces sufficient quantities of housing affordable to those on low and moderate incomes, regardless of the tenure of that housing.

Table 4.1: Planning for affordable housing in North America, the United Kingdom, Ireland and the Netherlands

<i>Case</i>	<i>Mechanisms</i>	<i>Legislation / policy</i>	<i>Government land / subsidy</i>	<i>Outputs</i>
Boston, MA, US	Barrier removal (Chapter 40B); Fair Housing Plan requirement + Regional housing targets (10 % of housing for low – moderate income); Inclusionary Zoning; Impact fees (commercial development); Vacant and city land; Use of local authority land.	Chapter 40B Comprehensive Permit Law Regional Development Plan for Metropolitan Boston “Inclusionary Development Policy” “Homeless Set-Aside Policy” “Development Impact Project Exactions”	Federal Low Income Housing Tax Credits (\$US11.9m); State Housing Tax Credits (US \$4m); Local funding (municipal land / assets \$33 million (2004); Use of local sites.	43,000 units in 736 developments (to 2006). 709 units (inclusionary requirement) 2000–07 312 units (homeless set aside) 2000-2004 6,000 units 1983-2006 400 lots/sites 2000/03
San Francisco, US	Regional fair share requirements; Barrier reduction; Inclusionary zoning; Impact fees; Protective mechanisms.	San Francisco General Plan (Housing Element) “Inclusionary Affordable Housing Policy” “Office-Affordable Housing Production Program” “Condominium Conversion Ordinance”, “Residential Hotel Conversion Ordinance	Federal Low Income Housing Tax Credits	Housing permits increased from around 3,000 per annum pre 2004 to 5,570 in 2005 625 units (2001-2005) (inclusionary policy)
Seattle, US	Targets for regional share ; Use of government land; Graduated standards; Fast track approvals for low cost housing; Barrier removal ; Incentives ; Transferable development rights .	Affordable Housing Policy for King County King County Ordinance 12394 (surplus land for affordable housing) “Downtown Residential Bonus” (SMC 23.49.015) TDR Ordinance (23.49.014)	Use of govt. Land; Assistance with credit -bridge loans; Local property tax exemptions for projects including affordable housing.	474 affordable housing units (tax incentive scheme 1998-2002); 1278 units 2004-2007; exceeded mandatory requirements 144 households assisted under tenant relocation code (in year 2005) \$2m land and development fee waivers 1993-2002 (ARCH members

<i>Case</i>	<i>Mechanisms</i>	<i>Legislation / policy</i>	<i>Government land / subsidy</i>	<i>Outputs</i>
Vancouver, Canada	Density incentive (20% contribution for developments exceeding 1.1 FSR); Protective mechanisms.	Downtown Eastside Oppenheimer District Development Plan SRA Bylaw 8733	City land purchase for social housing ; City capital grants to non market housing providers using funds from development levies.	2,600 units to 2006 (Density incentive)
London, UK	Inclusionary targets (50% GLA) Protective policies (retain or no net loss) Reclaiming vacant homes Supply mechanisms to increase overall outputs	London Plan 2004; London Plan Supplementary Planning Guidance for Housing Town and Country Planning Act 1990 Planning Policy Guidance 3: Housing National Circular 06/98: Planning and Affordable Housing	National Social Housing Grant Use of public land.	From 6957 affordable units in 1999/2000 to 8641 in 2005/06 (per annum) 700 new units per year directly through s106 contributions
Galway, Ireland	Inclusionary requirement for new residential development	Part V Planning and Development Act 2000 Galway City Development Plan 2005-2011	Local council acquisition of completed housing	236 units (2005) 79 Units 2006 (Nationally, 962 units 2005)
Rotterdam, The Netherlands	Inclusionary targets Social housing Zone (from 2008) Infrastructure charge discount (from 2008)	Stadsregio Rotterdam 2005 Dutch Spatial Planning Act 2008	National govt. location subsidies for infrastructure development, site remediation, urban renewal grants Regional housing development funds	Around 20% of all new housing developed is in social housing sector

Source: The Authors

We now turn to a comparative analysis of the national and international case studies to highlight key design, market and implementation differences and considerations.

5 PLANNING FOR AFFORDABLE HOUSING: COMPARING PRACTICE AND OUTCOMES

This chapter brings together the empirical case study material and our review of documented practice and research on planning for affordable housing, presented in the positioning paper for this project (Gurran *et al.* 2007). The first part of the chapter establishes a comparative framework for analysing differences in approaches and outcomes across the international jurisdictions reviewed. We revisit the notion of “conceptual equivalence” across different national housing policy and urban governance systems. The second part of the chapter focuses on the design and implementation of planning approaches for affordable housing. We synthesise the evidence from our case study research and previously reported literature introduced in the positioning paper. The focus is on design considerations (e.g. the type of planning approach used and its relationship to the broader planning framework, and other affordable housing requirements or incentives), and implementation issues such as governance and political support. Through a series of hypothetical matrices, the third part of the chapter assesses the market conditions in which different planning measures for affordable housing are likely to have the greatest impact.

5.1 Interpreting international differences in affordable housing approaches and outcomes: implications for Australian planning practice

Chapter One introduced the need to establish ‘conceptual equivalence’ as a basis for understanding and comparing the approaches and outcomes that arise under different national housing policy and urban governance systems. Conceptualising key features of urban governance or housing policy provides a basis for understanding why and how particular approaches have emerged, and whether there is potential to transfer these approaches to the Australian context. The positioning paper for this project focused predominantly on elements of the urban governance and planning systems of the case study nations. Following our case study review we have added four additional features that seem critical to implementation outcomes: capital investment in affordable housing; taxation or other financial incentives for affordable housing development; the availability of rental subsidy for tenants of affordable housing; and the existence of a strong delivery infrastructure for affordable housing development and management.

Table 5.1 summarises these features in relation to the national jurisdictions we review.

Table 5.1: Comparative urban governance and housing policy features of international jurisdictions

<i>Variable</i>	<i>United States</i>	<i>Canada</i>	<i>United Kingdom</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>Australia</i>
Role of state in land regulation	Limited	Medium	Medium	Medium	Strong, direct role	Limited
Responsibility for land use planning /housing	State, local government	Provincial, local government	National, local government	National, local government	Local government	State – enabling framework, devolved to local govt.
Spatial scale of planning	Local	Local	Local	Local	Site	Local, regional/ metropolitan
Scope of planning	Land use	Land use	Land use	Land use	Comprehensive	Land use

<i>Variable</i>	<i>United States</i>	<i>Canada</i>	<i>United Kingdom</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>Australia</i>
Process for obtaining permission	Limited discretion/ negotiation	Limited discretion/ negotiation	Negotiated	Negotiated	Permission consistent with detailed plan	Varying degrees of local discretion; limited "of right"
Planning mechanisms for affordable housing	Voluntary, negotiated contributions; Incentives; Protective measures; Mandatory contributions; Overcome local barriers.	Voluntary, negotiated contributions; Incentives; Protective measures; Mandatory contributions.	Overcome local barriers for affordable housing; Negotiated contributions	Compulsory inclusion.	Direct provision of sites; Affordable housing zone (prospective); Incentives for affordable housing providers.	Voluntary, negotiated contributions; Incentives; Protective measures; Mandatory contributions.
Government investment in housing assistance (capital investment)	Limited, to local authorities, via States and federal block grants	Limited, to some Provinces Federal government has re-entered the field via affordable housing agreements with provinces since 2001	Significant, available to affordable housing projects	Significant, funds acquisition of affordable housing by social landlords	Significant until 1995	Limited, predominantly social housing development only. Some recent state based initiatives
Taxation / subsidies other incentives for affordable housing development	Low income housing tax credit	Limited	Limited	Limited	Limited	Proposed national rental affordability scheme to be introduced in 2008
Income subsidies for affordable housing	Limited housing voucher system, can be used for market / subsidised rental housing. Operational subsidies to public housing providers to support income related rents	Cash assistance at provincial level for private tenants, varies by province. Diminishing recurrent subsidies of public housing operating losses-	Generous housing benefit, can be used for market / social housing	Limited rent supplement for private renters Income related rents in social housing	Generous housing benefit available to eligible private and social rental housing	Rent assistance for low income renters in private market and rental rebates in public housing linked to income related rents
Affordable housing delivery infrastructure	Strong non profit & for profit sector involvement in affordable housing development	Third sector (2/3rd) and provinces (1/3rd)	Strong Registered Social Landlords	Local authorities and limited but growing non profit sector	Large and asset rich housing association sector	Limited, growing

Source: The Authors; Lawson and Milligan (2008)

As shown in Table 5.1, the strong and synergistic housing and urban governance roles undertaken by the United Kingdom and the Netherlands governments differ to arrangements in nations such as Australia, Canada and North America, where responsibility for planning is devolved, and where Federal support for affordable housing development is limited. These fundamental differences in housing and urban governance and policy are likely to explain some of the variable project outcomes documented in this study.

5.1.1 Processes for obtaining planning permission

The processes for obtaining development approval through the planning system also account for differences in approaches and outcomes across the jurisdictions reviewed. The highly codified system of development 'entitlements' in the United States explains why fixed planning incentives or bonuses are widely used in North America to secure new affordable housing or to offset the financial impact of mandatory inclusionary schemes. A fixed or codified set of planning incentives would not be so feasible in the context of the United Kingdom, where all planning approvals are negotiated.

Rather, the negotiated quality of development assessment in the United Kingdom has provided effective leverage for planners to secure maximum affordable housing contribution, without jeopardising the viability of the development. The negotiated approach works to support affordable housing development in two ways. Firstly, while the likely affordable housing contribution is known in advance, the potential value of the planning approval is not. In the case of London this contribution is 50 per cent of development, including no net loss of existing affordable housing. This may work to reduce pressure on land values in a very buoyant market. (When full planning obligation cannot be determined in advance of the sale, purchasers can 'bargain down' the price.) Secondly, as affordable housing is a material consideration in plan making and development assessment under national legislation, planners are able to make appropriate concessions in response to opportunities or constraints associated with each proposal or site. Again, this maximises potential affordable housing inclusion without jeopardising project feasibility.

There is some potential to transfer elements of these approaches to the Australian context. The degree of local discretion to approve or refuse a particular planning proposal varies in each jurisdiction and in relation to the class of development proposed, but it is generally difficult to refuse a development that meets all established planning criteria. In this respect the Australian system is similar to that prevailing across the United States, and suggests that a codified system for affordable housing inclusion will be more effective than a negotiated one. Negotiated agreements are likely to be most effective when both parties have something to negotiate – in the context of planning approvals in the United Kingdom, planners have considerable scope to make concessions in relation to density or open space for a particular proposal. Without this leverage there is little opportunity to secure a contribution that is not already established as an enforceable policy.

However, the planning authority has considerable discretion when a developer seeks to change the planning controls applying to their land, through a rezoning or variation to development standards to enable a higher or more valuable use of the site. Following the example of the United Kingdom, developer initiated rezoning applications or requests to vary planning standards may offer a critical opportunity for affordable housing inclusion in Australia. This is emerging practice in South Australia and NSW.

5.1.2 Inclusionary provisions

A strong tradition of government intervention in land regulation and development explains the deep connections between planning and affordable housing delivery in the Netherlands. Although many features of the Dutch housing system are unique, it may be possible to replicate aspects of the model in planning for large sites of government owned land. Despite the national shift towards a more market driven housing system in the Netherlands, the introduction of a social housing zone ensures that affordable housing and tenure mix will remain a feature of Dutch cities and regions.

The introduction of a social housing zone follows the strong tradition of integrated housing and urban planning in the Netherlands and may be understood as an outcome of this synergistic and mutually reinforcing policy relationship. However, a similar mechanism was introduced in the Irish Republic in the year 2000, without a prior history of planning for affordable housing in that country. The mechanism is limited to new release areas and is supported by funds for capital acquisition of the housing, so does not threaten existing development entitlements or values. As such it was accepted relatively quickly in the context of strong central government endorsement.

5.1.3 Delivery infrastructure

Relative to the international jurisdictions reviewed in this study, Australia lacks a strong non profit affordable housing development sector that is able to take up opportunities delivered through a planning system, and build on these assets for leverage in the future. As well, there are limited financial incentives to support or encourage affordable housing development, as Australian Commonwealth rent assistance payments (to eligible households in housing need) are largely insufficient to meet the higher costs or rents in high demand locations where need is greatest. The lack of a strong affordable housing development sector able to capitalise on opportunities secured through the planning system undoubtedly reflects the limited opportunities that currently exist in Australia. But it also seems likely that without such a delivery infrastructure in place, local authorities will struggle to secure such opportunities in the future.

5.1.4 Government investment in and incentives for affordable housing growth and renewal

The significant leverage created by the availability of government incentives or funding for affordable housing development has been emphasised in the findings of this study. While they are imperfect, vehicles such as the United States Low Income Housing Tax Credit scheme theoretically may support or enable private or non profit providers to take up opportunities for affordable housing development that are secured through the planning process (such as through an inclusionary zoning requirement). Although such incentive schemes in the United States are not always directly tied to a mandatory land use planning requirement, the evidence suggests that both the planning measure and the subsidy or incentive will have greater impact if they are combined. This arises from concern that in some cases the Low Income Housing Tax Credit has subsidised the development of housing in areas of low demand, where additional subsidy was not required to deliver an affordable product (McClure 2000).

In considering the implementation of a National Rental Affordability Scheme in Australia, it is critical that public policy makers put in place strategies to avoid units being built in areas of low demand (where subsidy might not be needed to achieve an

affordable rental outcome). It is also important to ensure that the incentive is not wholly consumed by premium land costs in very high value markets, if the land can be secured in a more strategic way. One example of how this can be achieved would be the close synergies between the use of social housing grant funding in the United Kingdom and the development of affordable housing on sites secured through the planning process.

5.2 Non market considerations in selecting and designing planning approaches for affordable housing

Our preliminary review of design issues associated with planning approaches for affordable housing (Gurran *et al.* 2007) focused on relationships between affordable housing levers and broader planning frameworks or requirements. We also reviewed the literature on the conditions that need to be in place for effective implementation. In this section we outline the major themes in relation to design, appropriateness of particular approaches, and implementation conditions. We are informed by our review of literature and research but draw largely on our six international jurisdictions and 18 local authority case studies.

5.2.1 Preference for mandatory versus voluntary affordable housing inclusion

The international case studies support the proposition that mandatory affordable housing requirements deliver a far greater affordable housing outcome than do voluntary schemes based only on incentives or concessions, in terms of units created. Even affordable housing contributions that are negotiated in the context of a voluntary planning agreement – where planning authorities are at liberty to offer significant incentives or concessions – have not reached the scale of those negotiated under mandatory programs, either in relation to specific projects or across an entire local government area. When financial subsidies or incentives are available for affordable housing development, their take up appears to be much greater in jurisdictions where mandatory inclusionary requirements or targets apply (Calavita *et al.* 1997, p.128). This has been an explicit design consideration in developing the model now being piloted in South Australia.

Voluntary incentives for affordable housing inclusion play an important role in the jurisdictions that offer them, provided the incentives are attractive enough to be taken up. Their main value tends to be in preparing the way for the introduction of a mandatory scheme or supporting mandatory requirements. However, in jurisdictions where mandatory affordable housing contributions are not permissible under planning legislation, as in many of the Australian states, voluntary incentives are virtually the only avenue for securing new affordable housing development. They can have particular value in supporting lower cost housing development or development by social housing providers.

Planning and financial incentives for affordable housing development may need regular review in light of market changes, as found in the case of Seattle. This is particularly so when the incentive is tied to housing that is to be offered on the private market to eligible low income households who are unable to access an additional subsidy. This may become an issue in South Australia if housing market conditions change. One option is to support the incentive with a small government subsidy or tax incentive, as occurs in Seattle and may potentially occur under a national rental affordability scheme as foreshadowed in Australia. This would also allow the model to be used in higher value housing markets where affordable ownership models are more difficult to achieve.

While the negotiated approach to affordable housing inclusion has achieved significant outcomes in terms of completed housing units in the United Kingdom, it is associated with high 'transaction costs'. These costs include a lack of upfront certainty about the final amount of affordable housing contribution that will be required and the time taken by both local authority and developer staff to arrive at this decision. As developers are unable to make a precise estimate of the ultimate cost of the contribution, this uncertainty may actually have a deflationary impact on land prices, although it is also likely to deter housing development. Assessment and negotiation times add to overall development costs, and so reduce the potential affordable housing contribution (Crook *et al.* 2002).

5.2.2 Regional governance and collaboration

In both the United States and the United Kingdom, a regional approach to identifying and responding to housing need has proved important. This ensures that local authorities all meet their 'fair share' of affordable housing, and that developers cannot 'cherry pick' for a more liberal planning regime. The strong policy endorsement of a regional government or regional group of authorities may explain the relative speed at which communities and developers come to accept even ambitious affordable housing schemes, such as the 50 per cent target introduced by the Greater London Authority in 2004. Regional approaches to housing are also gaining momentum in Australia. Randwick, Byron and Port Phillip Councils all regard structured regional collaboration as important to building momentum and support, and maximising resources for affordable housing.

A regional approach to affordable housing response does not mean that all local authorities need to meet their obligations in the same way. As demonstrated in the example of Metropolitan King County in Washington, a clear methodology for identifying affordable housing obligations across a region can achieve consistency while still recognising local differences in terms of existing affordable housing supply or the need for new affordable housing in relation to patterns of employment. Similarly, in Rotterdam (the Netherlands), a regional approach allows areas that have higher concentrations of affordable or social housing to pursue market regeneration and renewal, while providing substitute opportunities in other parts of the region that are poorly serviced by affordable housing.

5.2.3 Is the planning mechanism an appropriate approach for promoting affordable housing?

In selecting planning approaches for affordable housing it is important to assess the risk that the affordable housing goal may be achieved at the expense of other planning objectives. In scenarios where affordable housing contributions are negotiated, whether or not this occurs within a mandatory framework for inclusion, there is a real possibility that other important planning considerations may be "traded away" for affordable housing. Those considerations might include design, open space, community facilities or local infrastructure.

There is rarely an argument to support trading established community design considerations, particularly those relating to energy and water efficiency or thermal comfort, to lower costs for affordable housing development or inclusion as part of a larger project. Some negotiation around community facilities or infrastructure may be appropriate within contexts that are already well endowed with such services, or if other government funding for these essential facilities is forthcoming. Where a development is being undertaken by a dedicated affordable housing provider, there is strong justification to support the development by reducing infrastructure expectations

or providing other planning concessions appropriate to the nature and scale of the development.

The emerging example of 'EcoDensity' in Canada suggests that affordable housing objectives might coexist with and support other strategic planning goals. In this case, even goals like densification, which is often attacked for undermining affordability, might promote urban containment while maintaining sufficient new housing supply opportunities and a modest affordable housing contribution. This allows a dedicated mechanism to offset price impacts associated with increased land values arising from the new development potential achieved through an 'upzoning'.

Some affordable housing measures are designed to override local statutory controls. When these controls represent housing discrimination, these approaches are both appropriate and important responses. One example of a discriminatory control might be one preventing the establishment of lower cost or diverse housing forms within residential areas. However, when local controls have been designed for environmental reasons – to maintain a green boundary or to manage environmental sensitivity, for example – overriding them for the purpose of affordable housing is more problematic. The 'rural exceptions mechanism' used in the United Kingdom and the 'anti snob' zoning laws in Massachusetts offer an important 'relief valve' to enable affordable housing opportunities within a context of tight supply. However, they could also undermine important environmental planning objectives or lead to housing on land that is inaccessible and difficult to service.

5.2.4 Political support

At the local level, local political leadership and advocacy are factors in achieving effective affordable housing planning schemes, even within a context of strong central government support such as that existing in the United Kingdom (Calavita 1998, Monk *et al.* 2005). The level of community support for affordable housing, or acceptance of responsibility to provide for regional housing need, explains why affordable housing schemes have been successfully implemented within some local areas and not others. This is particularly the case in nations such as the United States and Australia where there is no a priori support for providing affordable housing through the planning system (Goetz *et al.* 2001).

5.3 Market conditions and implementation

We have outlined the literature in the United Kingdom (Crook and Whitehead 2004, Crook *et al.* 2002) and the United States (Lerman 2006) pointing to the need for strong macro economic and local housing market conditions to support an effective use of planning approaches to leverage new affordable housing during the development process. As sketched in Chapter One, the major market variables affecting the use of planning measures for affordable housing relate to: the overall value of the market, the available opportunities for housing development (scarcity increases the value of planning leverage), and the amount of development activity within a locality or region. This activity is influenced by macro economic trends as well as local conditions. This section briefly addresses those market conditions, before proposing a series of hypothetical matrices outlining the market scenarios in which certain planning measures are likely to be most effective.

5.3.1 Market conditions

Market values

High market demand for housing is strongly associated with higher affordable housing yields in the United Kingdom, since "demand for development land... provides the

local authority with its negotiating strength” (Crook *et al.* 2002, p.21). Similarly, high residential land values underpin planning incentives and support mandatory inclusionary requirements in the United States, provided that the value of the land continues to exceed the value of the opportunity of other potential uses not encumbered by the affordable housing obligation.

Market opportunity

A second housing market variable relates to the availability of Greenfield, brownfield, or infill development sites for new or rehabilitated housing developments. To secure affordable housing contributions at a meaningful scale, such opportunities must exist within a housing market. However, if there is an over supply of development opportunities, the leverage created by planning approval for residential development is unlikely to support an additional affordable housing contribution. Rather, such an obligation may deter development in a context of abundant supply and low demand. This is particularly so when there are high remediation costs associated with redevelopment, or where the available opportunities are in areas of low amenity.

Alternatively where there is high demand and limited development opportunity, planning approval provides an opportunity to secure additional dedicated affordable housing opportunities. This is particularly the case where that approval involves a favourable variation to existing planning controls applying to the site.

Market activity

Levels of market activity relate to the overall value of the market, the availability of development opportunities, and overall macro economic cycles. If there is limited market activity, planning mechanisms alone will not yield significant new affordable housing opportunities. However, such slows in a market cycle suggest opportunities to support non profit housing providers. Providing incentives to support affordable housing developers to operate during market lows, i.e. in a counter cyclical way, also assists the building and development sector during times of reduced market activity.

5.3.2 Implementation: hypothetical matrices

The following series of five hypothetical matrices indicates the market conditions within which specific planning measures for affordable housing are likely to be most effective. The matrices are:

1. Matching supply strategies to market conditions;
2. Reducing barriers to lower-cost forms of housing;
3. Preserving and offsetting the loss of low cost housing;
4. Incentives for new affordable housing; and
5. Seeking dedicated affordable housing.

These matrices were developed by the authors through empirical analysis of the 40 international, state, regional, and local case studies reviewed in this report, as well as the literature review in the positioning paper for the study (Gurran *et al.* 2007). They were then validated by policy experts via a workshop discussion involving seven national housing policy, planning and local government officials, held in November 2007 (as outlined in Chapter One). The matrices are discussed in turn below. Each matrix is represented as a single table that relates market conditions to specific measures, accompanied by explanatory text. In each table, a simple scale is used to indicate the likely impact of the planning measure within the identified market scenario. A short explanatory text accompanies the rating scales. Additional commentary within the tables themselves is given only for scenarios where a measure

is likely to be particularly effective or counter-productive within the particular market context, or in any case where further explanation is needed.

1. Matching supply strategies to market conditions

It can be difficult to gauge the impact of new supply programs on affordability across a whole region, as housing markets and sub market characteristics can differ substantially. Markets and regions with the most pronounced shortages of development opportunity relative to existing and forecast demand will benefit from strategies to improve the responsiveness of land supply programs. New supply programs on the metropolitan fringe may have only a minor impact on house prices or the availability of lower cost housing stock in established or inner city housing markets. Government penalties to discourage speculators withholding land from development are likely to be most effective in medium and lower value areas where land can be acquired cheaply with a view to land banking for the future.

The establishment of land development or renewal authorities can achieve faster and more coordinated development outcomes and may be particularly helpful within inner city areas subject to development constraints. Such authorities identify existing and potential supplies of land and, where justified, acquire potential development or redevelopment sites. Queensland's new Urban Land Authority is intended to undertake this role with a focus on high growth areas, and there is potential to strengthen and reinforce the affordability charter of government land developers in the other Australian states.

Table 5.2 shows the matrix for potential impact upon housing supply of certain planning measures in a range of market scenarios.

Table 5.2: Increasing housing supply

<i>Measure</i>	<i>Land audit</i>	<i>Govt. acquisition of land</i>	<i>Govt. dedication of land</i>	<i>Land development / renewal authority</i>	<i>Land development incentives / penalties</i>
<i>Market</i>					
High value	●●● (identify all opportunities)	●● (maximise under-utilised land)	●●● (maximise available land, increase affordable supply)	●●● (coordinate redevelopment / development)	○
Medium value	●●● (maximise current and future supply opportunities)	●● (acquire land at reasonable cost; consolidate potential sites)	●●● (increase affordable housing supply)	○	●●● (discourage land banking)
Low value	○	●● (acquire land at reasonable cost)	○	●● (stimulate housing development in response to housing need)	●●● (discourage land banking)

<i>Measure</i>	<i>Land audit</i>	<i>Govt. acquisition of land</i>	<i>Govt. dedication of land</i>	<i>Land development / renewal authority</i>	<i>Land development incentives / penalties</i>
Market					
High development activity	●●● (identify all opportunities)	○	●●● (maximise available land, increase affordable supply)	○	○
Medium development activity	●	○	●	○	○
Low development activity	●●● (identify all opportunities)	○	●●● (may stimulate development activity)	○	●●● (discourage land banking)
High development opportunity	○	●●● (acquire land while opportunities exist)	○	●●● (coordinate redevelopment / development)	●●● (discourage land banking)
Medium development opportunity	○	●	●	●● (stimulate housing development in response to housing need)	○
Low development opportunity	●●● (identify all opportunities)	●● (maximise under-utilised land)	●●● (maximise available land, increase affordable supply)	○	○

Scale:

○ – Measure usually not indicated for implementation in this type of market / measure generally unnecessary / measure unlikely to be implemented under current legislation in Australia.

● – Measure may be beneficial in this market context, depending on specific local or regional circumstances.

●● – Measure usually associated with positive impact on affordable housing in this market context

●●● – Measure is usually associated with the highest potential impact in this market context

Source: The Authors

2. Barrier reduction strategies

As shown in the study cases, reducing barriers to lower-cost forms of housing extends the supply of affordable housing in the private market. Those barriers might include restrictive planning controls or excessive procedural requirements. Barrier reduction can also assist non profit developers by reducing building costs. In markets where

there is a balance between housing supply and demand, strategies to reduce development costs will have a direct influence on house prices, particularly at the lower end of the market where there are smaller profit margins.

Barrier reduction strategies are important in contexts where sources of low cost rental housing (e.g. boarding houses, hotel accommodation, lower quality flats, caravan parks) are ageing or under pressure for redevelopment. It is critical to ensure that such housing remains permissible within residential areas and so can be replaced. Key markets in which these measures are important include gentrifying metropolitan areas and coastal areas subject to rapid population growth or tourism development.

Barrier reduction strategies can increase opportunities to develop housing, and particularly housing that is likely to be offered at lower price points than other market housing. They therefore contribute to residential development opportunities without the need for major new land release. This means they are particularly appropriate in established areas where there are limited sites for new development. Barrier reduction approaches, such as those shown below in the matrix of Table 5.3, will have an impact in contexts where existing planning controls are extremely restrictive. Removing such barriers could stimulate housing markets in contexts where demand exists for lower cost forms of housing that are currently prevented by restrictive planning controls.

Table 5.3: Barrier reduction strategies

<i>Measure</i>	<i>Audit existing controls</i>	<i>Assess impact of proposed regulations</i>	<i>Development controls permit diverse housing</i>	<i>Faster approvals for preferred development</i>	<i>Overcome local barriers to affordable housing</i>
High value	●●● (release new housing opportunities)	●●● (ensure don't exacerbate affordability problems)	●●● (release new housing opportunities)	●●● (incentive for affordable housing development)	●●● (ensure affordable seniors / disability housing able to be developed in higher value markets)
Medium value	●● (maintain new low cost housing opportunities)	●● (avoid introducing new requirements that add to housing costs)	●●● (ensure diverse housing types developed)	●●● (incentive for affordable housing development)	●●● (ensure affordable seniors / disability housing able to be developed in higher value markets)
Low value	○	○	●●● (ensure diverse housing types developed)	●	○

Measure	Audit existing controls	Assess impact of proposed regulations	Development controls permit diverse housing	Faster approvals for preferred development	Overcome local barriers to affordable housing
High development activity	○	○	●●● (ensure diverse housing types developed)	●●● (incentive for affordable housing development)	○
Medium development activity	●●● (release new housing opportunities)	●●● (ensure don't exacerbate affordability problems)	●●● (ensure diverse housing types developed)	●●● (incentive for affordable housing development)	○
Low development activity	●●● (release new housing opportunities)	●●● (ensure don't exacerbate affordability problems)	●●● (release new housing opportunities)	●●● (incentive for affordable housing development)	●●● (ensure affordable seniors / disability housing able to be developed)
High development opportunity	○	○	●●● (ensure diverse housing types developed)	●●● (incentive for affordable housing development)	●●● (ensure affordable seniors / disability housing able to be developed before market is "built out")
Medium development opportunity	●●● (release new housing opportunities)	●●● (release new housing opportunities)	●●● (incentive for affordable housing development)	○	○
Low development opportunity	●●● (release new housing opportunities)	●●● (ensure don't exacerbate supply constraints)	●●● (release new housing opportunities)	●●● (incentive for affordable housing development)	●●● (ensure affordable seniors / disability housing able to be developed)

Scale:

○ – Measure usually not indicated for implementation in this type of market / measure generally unnecessary / measure unlikely to be implemented under current legislation in Australia.

● – Measure may be beneficial in this market context, depending on specific local or regional circumstances.

●● – Measure usually associated with positive impact on affordable housing in this market context

●●● – Measure is usually associated with the highest potential impact in this market context

Source: The Authors

3. Preserving and offsetting the loss of low cost housing

Protective mechanisms are important to consider in any situation where there is a significant supply of low cost housing and this housing is under threat of redevelopment; for instance, during an urban renewal process, or during periods of rapid population growth in existing urban areas and high amenity destinations. In situations where there are limited alternative sources of low cost housing within an area, the remaining stock assumes great importance for those who depend on it. In many cases residents of caravan parks affected by a redevelopment proposal have almost no comparable alternatives within the area. This was shown in the example of Gosford, where protective mechanisms have been an important approach for slowing the loss of caravan park accommodation.

Regulations to preserve identified low cost housing, by restricting or conditioning redevelopment opportunities, tend to counterbalance the inflationary price pressures affecting other potential redevelopment opportunities within a rising market. Similarly, social impact framework requirements to offset impacts on low income people displaced by a new development will discourage, if not prevent, the redevelopment of lower cost housing forms.

In a context of housing disadvantage and market decline, planners may wish to encourage redevelopment of lower cost accommodation, to enhance housing quality and to improve social mix and economic opportunities. In these cases measures to offset the impact of the redevelopment on low income residents are still indicated, but these measures must be designed so as not to discourage the overall process of upgrading.

Table 5.4 shows the matrix for potential impacts of planning measures aimed towards preserving the loss of low cost housing for certain market scenarios.

Table 5.4: Preserving and offsetting the loss of low cost housing

<i>Measure</i>	<i>Social impact framework (see also p.34)</i>	<i>Preserving particular housing types at risk</i>	<i>Assistance for displaced residents</i>
Market			
High value	●●● (low income residents most vulnerable to social impact of housing redevelopment in high value market)	●●● (reduces high pressure on this housing type)	●●● (displaced residents have few options in this market)
Medium value	●●● (low income residents most vulnerable to social impact of housing redevelopment in high value market)	●●● (many medium value markets retain low cost housing supply)	●●● (disincentive to redevelop this stock)
Low value	○	○	○
High development activity	●●● (low income residents most vulnerable to social impact of housing redevelopment)	●●● (low cost housing at risk during high development activity)	●●● (disincentive to redevelop this stock)

<i>Measure</i>	<i>Social impact framework (see also p.34)</i>	<i>Preserving particular housing types at risk</i>	<i>Assistance for displaced residents</i>
Market			
Medium development activity	●● (low income residents most vulnerable to social impact of housing redevelopment)	●● (focusing on specific housing at risk may avoid perception that protective measure deters development)	●● (important if few other low cost housing opportunities exist)
Low development activity	● (may be useful preventative measure, provided not a disincentive to development)	● (focusing on specific housing at risk may avoid perception that protective measure deters development)	● (important if few other low cost housing opportunities exist)
High development opportunity	○ In contexts of high alternative development opportunity, usually less pressure on low cost housing forms	○ In contexts of high alternative development opportunity, usually less pressure on low cost housing forms	○ In contexts of high alternative development opportunity, usually less pressure on low cost housing forms
Medium development opportunity	○	○	○
Low development opportunity	●●● (low income residents most vulnerable to social impact of housing redevelopment in context of limited alternative supply)	●●● (low income residents housing redevelopment in context of limited alternative supply)	●●● (disincentive to redevelop this stock)

Scale:

○ – Measure usually not indicated for implementation in this type of market / measure generally unnecessary / measure unlikely to be implemented under current legislation in Australia.

● – Measure may be beneficial in this market context, depending on specific local or regional circumstances.

●● – Measure usually associated with positive impact on affordable housing in this market context

●●● – Measure is usually associated with the highest potential impact in this market context

Source: The Authors

4. Incentives for new affordable housing

As suggested by the matrix of Table 5.5 (below), planning incentives for new affordable housing are particularly effective within high value markets where development opportunities are limited. Such housing could range from low cost market housing to subsidised social housing supply. In these scenarios, planning incentives that create additional development potential, such as graduated planning standards and planning bonuses or concessions, are likely to be very effective provided there is a degree of development activity within the area. It is essential to

follow a clear process for calculating the bonus and contribution requirement, and for administering the affordable housing donation.

The most suitable market context for this measure is likely to be inner and middle ring housing markets where land values are higher, and where there is a greater imperative to achieve higher density and parking or open space savings. This approach has proved effective in Brisbane in supporting the development of new boarding houses, such as the Ferry Apartments in Brisbane’s West End.

Any incentives to reduce costs of housing production for social housing providers should be effective in all market scenarios, because this sector can operate in a counter cyclical way. Due to the additional complexities associated with surrounding properties and the views of existing residents, fast track approvals for affordable housing that meets defined criteria will be particularly appealing in markets subject to rapid growth, or in established locations where planning approval is typically slower.

Discounts for administrative fees or infrastructure contributions are likely to be attractive across all markets, depending on the value of the discount. This is a supporting measure that can contribute to a package of approaches to encourage low cost housing development.

If development activity is slow or the contributions amount relatively small, the costs of administering the system may appear to outweigh the benefits. This disadvantage does not apply to incentive measures that are intended to encourage lower cost private market housing or dedicated affordable housing developments.

The design and implementation of incentives can be legally complex and time consuming to administer, sometimes for seemingly small gain. Incentives that are based on increased density will not be effective in areas where new developments are not currently maximising existing density opportunities.

Table 5.5: Incentives for new affordable housing

<i>Measure</i>	<i>Graduated planning standards</i>	<i>Planning bonuses / concessions</i>	<i>Fast track approvals for affordable housing</i>	<i>Fee discounts</i>
<i>Market</i>				
High value	●●● (support low cost housing viability)	●●● (support low cost housing viability)	●●● (support low cost housing viability)	●●● (support low cost housing viability)
Medium value	●● (support low cost housing, but concessions worth less)	●● (support lower cost housing but concessions worth less)	●● (support low cost housing viability)	●●● (support low cost housing viability)
Low value	○	● (may stimulate declining market)	○	● (may stimulate declining market)
High development activity	●●● (support low cost housing viability)	●●● (support low cost housing viability)	●●● (support low cost housing viability)	●●● (support low cost housing viability)

<i>Measure</i>	<i>Graduated planning standards</i>	<i>Planning bonuses / concessions</i>	<i>Fast track approvals for affordable housing</i>	<i>Fee discounts</i>
<i>Market</i>				
Medium development activity	●● (support low cost housing viability)	●● (support low cost housing viability)	●● (support low cost housing viability)	●●● (support low cost housing viability)
Low development activity	○	●●● (may stimulate declining market)	● (may stimulate declining market)	●●● (may stimulate declining market)
High development opportunity	●●● (support low cost housing viability)	●●● (support low cost housing viability)	●●● (support low cost housing development)	●●● (support low cost housing viability)
Medium development opportunity	●● (support low cost housing viability)	●● (support low cost housing viability)	●●● (support low cost housing viability)	●●● (support low cost housing viability)
Low development opportunity	●●● (create additional development opportunities)	●●● (create additional development opportunities)	●●● (support low cost housing viability)	●●● (support low cost housing viability)

Scale:

○ – Measure usually not indicated for implementation in this type of market / measure generally unnecessary / measure unlikely to be implemented under current legislation in Australia.

● – Measure may be beneficial in this market context, depending on specific local or regional circumstances.

●● – Measure usually associated with positive impact on affordable housing in this market context

●●● – Measure is usually associated with the highest potential impact in this market context

Source: The Authors

5. Seeking dedicated affordable housing

The main opportunities to introduce voluntary or mandatory requirements for affordable housing arise when major changes to planning controls are requested to enable residential developments, or to intensify existing permitted residential density within an area. Jurisdictions need to develop a clear policy framework to justify the need for affordable housing and to set out the circumstances in which contributions will be sought. The framework should identify the amount of contribution to be expected and explain how the contribution levels are derived.

Evidence from the literature review and the case studies shows that the viability of different contribution amounts may change over time. For example, a higher contribution may be sustained in a rising market, but not in a falling one. In a lower value market it is often more effective to require that a proportion (perhaps 15 per cent or higher) of the new housing be offered to affordable housing providers, or to eligible low and moderate households at fixed price, as demonstrated by the Irish and South Australian models. This approach allows the developer to recoup costs associated with the contribution while also providing a guaranteed cash flow for the development.

In these examples, lower land values actually make this type of affordable housing contribution viable.

Mandatory approaches are most important in a high value market where there are few opportunities for development, and where it is very difficult to access these for affordable housing. In other words, mandatory mechanisms actually work best in the conditions that make them imperative – i.e. where there is a real shortage of affordable housing opportunities, and it would otherwise be most difficult to secure or develop new affordable housing supply.

In addition, mandatory approaches can effectively support other government investment or incentives for affordable housing. They can make capital funds for housing assistance go further, or combine requirements with financial incentives for affordable housing development in the private sector. However, mandatory affordable housing requirements are only able to be used within a very few areas of Australia. In most cases, state territorial planning legislation will need amendment to support and enable the use of these approaches at a local or regional level.

In all markets, requiring contributions to be made onsite – rather than as a financial payment – ensures ongoing access to land for affordable housing development across a city or region. In high value redevelopment or renewal contexts, mandatory affordable housing inclusion ensures that social equity objectives are maintained, by securing housing opportunities despite a rising property market.

In new release areas where there is plentiful land supply and lower profit margins, a high contributions target is likely to be difficult to achieve. This is especially the case if there are alternative locations for development that are not affected by the affordable housing obligation. For these reasons, regional approaches to affordable housing inclusion are preferred, such as those demonstrated in the Rotterdam, Seattle and Vancouver examples.

Table 5.6 shows the matrix for voluntary and mandatory requirements directed toward securing dedicated affordable housing.

Table 5.6: Seeking dedicated affordable housing

<i>Measure</i>	<i>Voluntary negotiated agreements</i>	<i>Mandatory negotiated agreements</i>	<i>Inclusionary zoning</i>	<i>Mixed tenure requirements</i>	<i>Impact fees</i>
<i>Market</i>					
High value	●●● (high leverage associated with planning approval)	●●● (high value supports contribution requirement)	●●● (high value supports contribution requirement)	●● (difficult to deliver low cost home ownership in high market without additional subsidy)	●●● (indicated if low cost housing lost in high market)
Medium value	●● (leverage less valuable in medium market)	●● (mandatory requirement secures contribution, offset by land value if known in advance)	●● (inclusionary contribution absorbed in land value if long established)	●●● (affordable housing for low cost home ownership more viable)	●● (useful for residential and non residential developments that impact on housing need)

<i>Measure</i>	<i>Voluntary negotiated agreements</i>	<i>Mandatory negotiated agreements</i>	<i>Inclusionary zoning</i>	<i>Mixed tenure requirements</i>	<i>Impact fees</i>
<i>Market</i>					
Low value	○	○ (May act as deterrent)	○ (May act as deterrent)	●●● (able to deliver low cost home ownership without additional subsidy. Guaranteed purchase assists project viability)	○ (May act as deterrent)
High development activity	●●● (major opportunity to secure affordable housing; high leverage associated with planning approval)	●●● (major opportunity to secure affordable housing)	●●● (major opportunity to secure affordable housing)	●●● (major opportunity to secure affordable housing)	●●● (major opportunity to accumulate significant contributions)
Medium development activity	●● (opportunity to secure affordable housing; high leverage associated with planning approval)	●● (opportunity to secure affordable housing)	●● (opportunity to secure affordable housing)	●●● (stable process to secure affordable housing)	●● (opportunity to accumulate significant contributions)
Low development activity	○	○ (May act as deterrent)	○ (May act as deterrent)	●●● (may stimulate market)	○ (May act as deterrent)
High development opportunity	● (opportunity to secure affordable housing)	●● (mandatory framework enforces requirement)	●●● (Inclusionary zoning applies across area so developers can't "cherry pick")	●●● (opportunity to cross subsidise large developments with affordable housing for sale)	○
Medium development opportunity	●● (opportunity to secure affordable housing)	●● (mandatory framework enforces requirement)	●●● (Inclusionary zoning applies across area so developers can't "cherry pick")	●● (opportunity to cross subsidise large developments with affordable housing for sale)	○

<i>Measure</i>	<i>Voluntary negotiated agreements</i>	<i>Mandatory negotiated agreements</i>	<i>Inclusionary zoning</i>	<i>Mixed tenure requirements</i>	<i>Impact fees</i>
<i>Market</i>					
Low development opportunity	●●● (limited supply but high leverage associated with planning approval)	●●● (high leverage associated with planning approval)	●●● (Inclusionary zoning applies across area so developers can't "cherry pick")	○	○

Scale:

- – Measure usually not indicated for implementation in this type of market / measure generally unnecessary / measure unlikely to be implemented under current legislation in Australia.
- – Measure may be beneficial in this market context, depending on specific local or regional circumstances.
- – Measure usually associated with positive impact on affordable housing in this market context
- – Measure is usually associated with the highest potential impact in this market context

Source: The Authors

5.4 Summary

When considering the potential to transfer international models to the Australian context, it is important to recognise differences in urban governance and housing policy. This chapter has highlighted these differences as a basis for understanding variation in the outcomes of different planning approaches, and for assessing the opportunities for adaptation in the different jurisdictions and housing market settings that characterise Australia. In understanding how such adaptations might be achieved, it is also important to consider design and implementation factors, including market conditions that support different opportunities for planning intervention – as shown in this chapter's series of hypothetical matrices. Our concluding chapter draws this thinking together by returning to our six overarching research questions, with a focus on Australian markets and geographical contexts.

6 CONCLUSIONS: LEADING PRACTICE IN PLANNING FOR AFFORDABLE HOUSING IN AUSTRALIA

Planning occupies an ambiguous position in relation to housing affordability, both in Australia and internationally (Paris 2007). The 'rediscovery' of housing supply as a neglected element of spatial policy, particularly in the United Kingdom, but also in parts of North America and Australia, highlights the important relationships between the land use planning system and housing market outcomes (Bramley 2007). Many of the jurisdictions reviewed here exhibit central government reorientation towards increased housing output, through increased planning system allocation of residential development opportunities. In recognition of the loose relationship between increased development opportunities and house prices (Leishman and Bramley 2005, Bramley and Leishman 2005), there has been a trend to combine overall planning system enhancements, geared towards supply, with more specific planning levers to create new dedicated affordable housing opportunities. As demonstrated in this study, these measures appear to achieve the greatest impact when used in conjunction with other incentives or subsidies for affordable housing development.

This final chapter recapitulates these findings in relation to the research questions stated at the outset of this report. It highlights the major implications of these findings for Australian housing and planning policy at national, state and local levels. Finally, the chapter identifies future research and policy developments priorities in planning for affordable housing in Australia.

6.1 Evidence in relation to research questions

This study explored three questions relating to international experience in the use of the planning system for affordable housing, and three questions about Australian experience and practice (as stated in Chapter One). The major findings in relation to each of these six research questions will now be summarised.

What is the rationale for and role of the land use planning systems in retaining and providing affordable housing in the United Kingdom, Ireland, the United States, Canada and the Netherlands?

In general terms, all of the national jurisdictions appear to regard housing affordability as a normative goal of public and spatial policy, although the extent to which this is supported by specific levers or funding differs in each case. Housing affordability is regarded as critical to metropolitan and regional economic prosperity (particularly the provision of workforce housing); social cohesion and equity (for instance, diverse and affordable housing opportunities support existing social networks and reduce rates of forced mobility); and environmental quality (reducing pollution and land conversion arising from 'dormitory suburbs' and urban sprawl).

From this broad normative goal, our literature review and case study analyses have pointed to five more focused policy arguments for addressing housing affordability through the planning system. These are:

- The need to remedy planning system deficiencies that undermine housing affordability. These might include an insufficient supply of residential development opportunities in preferred metropolitan and regional locations, uncertainty, complexities or delays in obtaining planning approval, or excessive design requirements, fees or charges;

- The need to minimise and offset the impact of planning and residential development processes, such as urban renewal or redevelopment within metropolitan and regional contexts, on the availability of existing low cost housing (from residential hotels and boarding houses to caravan parks and manufactured estates);
- The need for planning systems to provide for and facilitate greater housing diversity in the allocation of land uses and in specifying design codes, to match the growing diversity of housing need, to achieve social mix and to support economic prosperity (from the provision of workforce housing to a stable and buoyant construction sector, to household financial security associated with affordable home ownership);
- The potential to leverage more subsidised housing stock for low income people, in preferred locations, by making affordable housing inclusion a requirement of development (although construction costs and reasonable costs associated with land acquisition may be met through incentives and subsidy); and, in some cases,
- 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.

As observed in the positioning paper, the relative importance of each of these themes varies across the jurisdictions reviewed. Each supports a particular role for the planning system in relation to the overall goal of housing affordability and/or the specific creation of new affordable housing units.

Throughout this study we have distinguished three different scales of intervention in planning for affordable housing (Table 6.1, below). To recapitulate, system scale approaches seek to enhance the overall performance of the planning process in delivering sufficient housing supply. Strategies include reforms to simplify the planning system, reduce red tape, or promote greater focus on targets for development. Secondly, new methodologies or approaches to planning for affordable housing include models for regional collaboration; or new approaches to defining and responding to housing need at regional or local levels. Thirdly, within the planning system itself, specific planning mechanisms or levers are used to encourage, protect or create new dedicated affordable housing supply. Table 6.1 summarises these scales of intervention and the types of strategic approaches and planning levers used across each of the international jurisdictions reviewed in this report.

Table 6.1: Scales of intervention in planning for affordable housing

<i>Scale</i>	<i>Approach / measure</i>
System wide	Simplify planning requirements Faster assessment times Focus on supply targets
New methodologies	Regional governance structures for housing Regional housing needs assessment / collaboration National / state / regional / local advisory bodies on affordable housing
Planning levers or mechanisms	Increasing housing supply Reducing barriers to affordable housing development Preserving and offsetting the loss of low cost housing Encouraging new affordable housing (incentives) Securing new dedicated affordable housing

Source: The Authors

Which planning approaches or interventions have been identified in these nations as having a potentially negative impact on the supply of affordable housing?

Across all of the jurisdictions reviewed, including Australia, there is concern about the impacts of urban containment policies upon potential land supply and affordability, particularly in metropolitan regions. The literature review for this project found no conclusive evidence to support the proposition that growth management or containment policies per se would lead to housing unaffordability. It was beyond the scope of this research to further examine this issue in an empirical way.

However, it is clear from the review of cases presented here that affordability goals in general, and dedicated affordable housing creation in particular, can be and are being pursued within a context of urban containment. For instance, the significant new housing supply targets being pursued by the Greater London Authority have been formulated to enhance overall affordability by addressing housing shortages. Yet, consistent with a goal of urban containment, more than two thirds of this new housing is to be provided within existing urban areas. Similarly, the ambitious targets for new affordable housing creation within Greater London are to be achieved largely through the value creation associated with permission for redevelopment at increased density. The Greater London target is 50 per cent of new housing to be in the affordable home purchase, private or social rented sector. Similarly, the 'ecodensity' model being advanced in Vancouver combines an incentive for increased density with a value sharing contribution for affordable housing.

Of the other planning system roles outlined above, each can be seen to influence policy and practice across most of the international jurisdictions. Examples of approaches to mitigate or offset the impact of otherwise important urban development processes and change include: the use of impact or linkage fees in the United States to offset the impact of developments on affordable housing; the specification of "no net loss" targets in the United Kingdom; and the use of protective measures to reduce redevelopment pressure on low cost housing forms in the United States, Canada, and Australia.

How do planning mechanisms intersect with the broader policy, legislative and financial frameworks supporting affordable housing supply in each international case study, and within which governance, spatial and housing market contexts are specific tools most effective?

The ways in which planning mechanisms intersect with broader policy, legislative and financial frameworks for affordable housing supply differ across the international case studies. At one end of the spectrum are Ireland and the Netherlands, where the synergistic relationships between national housing and planning policy connect inclusionary planning requirements for new residential development areas with funding for social housing development and acquisition. In the Netherlands, housing associations themselves are able to subsidise new affordable housing development. In the United Kingdom, the strong national planning emphasis on affordable housing as a material consideration in plan making and development assessment supports strong targets for affordable housing inclusion. These planning requirements are generally supported by the availability of national funding for social housing development and liberal housing benefit provisions for lower income renters.

In the United States, where inclusionary zoning is used widely, targets of 10 to 15 per cent affordable housing inclusion are not directly linked to capital funding for affordable housing development. However, such targets are usually supported by the availability of planning bonuses (such as density increases) or concessions (like

reduced fees). Many state and local jurisdictions with affordable housing strategies in place also dedicate their own resources or public land to support low income housing programs. Mandatory inclusionary requirements in the United States are also made more feasible by the existence of federal and state tax incentives designed to stimulate development of housing for low income households.

By combining planning requirements for affordable housing with funding, subsidies or incentives, strong not for profit housing developers have emerged in the United States, the United Kingdom and the Netherlands to provide a sturdy 'delivery infrastructure' for affordable housing that is able to be created or secured through the planning and development process.

Chapter 5 detailed the research findings in relation to which planning mechanisms appear most effective within different market contexts. In summary, it appears that systemic planning process enhancements geared towards overall housing affordability do not presuppose a particular governance, spatial or market context. Rather, they will have the greatest impact in contexts where there has been a long term undersupply of new housing opportunities relative to demand. Barrier removal strategies might be implemented by any level of government and will be effective in contexts where planning regulations preclude diverse and low cost housing forms. Protective mechanisms depend on strong legislative support and are important in high growth regions characterised by rising housing markets.

Incentive or concession schemes will be effective in contexts where land costs or building costs are high enough to generate a valuable bonus when prevailing controls are varied. Incentive approaches appear to work best when they are situated within a framework of national or central government policy for affordable housing, and when they are clearly supported by legislation.

The successful implementation of mandatory affordable housing contributions depends on strong central government policy for affordable housing, and clearly articulated central, regional and/or local expectations or requirements. Inclusionary housing schemes where a proportion of the development is dedicated to affordable housing (either as an onsite contribution or a payment) will have impact within a high value market characterised by significant development activity and limited development opportunity. By contrast, lower value markets characterised by development activity and demand for housing, but more potential opportunities for growth, are likely to support affordable housing inclusionary targets that deliver dwellings at lower cost for social housing providers or low and moderate income households to purchase.

To what extent do the different Australian States and Territories currently use their planning systems (at State, regional and local levels) to promote affordable housing objectives, and what policy or legislative settings support or impede these goals?

In addressing this question, the literature review covered a national scope and the empirical case study work focused on the four jurisdictions of NSW, Queensland, South Australia and Victoria. Overall, this review found:

- Overall and ongoing planning system reviews and reforms are being undertaken across all of the jurisdictions reviewed to reduce delays, complexity and red tape;
- There is limited coverage of affordable housing goals in state planning legislation, with the exception of South Australia (following recent amendments), and to a lesser degree, NSW (where affordable housing is an objective of the *Environmental Planning and Assessment Act 1979*);

- New state planning policies relating to housing and housing affordability have been introduced in Queensland, South Australia and Victoria over the past two years, while NSW has a series of state policies relevant to low cost housing retention and promotion dating from the late 1980s (but which have not been added to substantially since that time);
- Metropolitan plans for all state capital cities include affordable housing or related goals but largely lack defined or concrete measures to implement them; and
- There has been area-specific implementation of planning mechanisms for affordable housing, ranging from inclusionary zoning schemes (in selected redevelopment areas), planning agreements (particularly around redevelopment areas), planning incentives and concessions (Inner Sydney and Brisbane) to protective mechanisms and social impact provisions (Brisbane, metropolitan and regional NSW).

In all of the Australian cases reviewed, with the possible exception of South Australia, the lack of a strong central government policy was viewed as a major limiting factor in planning for affordable housing.

The Australian experience contrasts to international practice. The few specific planning mechanisms for affordable housing that have been implemented within local jurisdictions in Australia have been largely divorced from broader national or state housing policy. As a likely consequence, Australia lacks a strong not for profit or for profit affordable housing development sector. While a variety of planning levers for affordable housing are now used within the high value metropolitan context of Sydney (planning agreements for affordable housing, protective mechanisms, incentives and limited inclusionary schemes), and to a lesser degree, the other Australian capitals, these approaches operate in isolation to capital funding for affordable (social) housing development. In the absence of financial incentive schemes to encourage low cost housing development (as opposed to the demand side subsidies such as Australia's First Home Owner's Grant and the Commonwealth Rental Assistance Scheme), it is not surprising that the affordable housing planning approaches that do exist in Australia operate in isolation to other government policies or funding schemes.

What potential is there to better integrate property based covenants for affordable housing within the land use planning process in Australia?

A sub theme of this research concerned the potential to make property based covenants for affordable housing better integrated with the land use planning process in Australia. Statutory covenants run with the title of a property or development and so are separate from the planning process. However, covenants may influence many aspects of a development, from the design of housing to the nature of tenure or occupation. In this research, the focus was on understanding how statutory covenants may be used to support the implementation of affordable housing secured through the planning process. The example of the Brisbane Ferry Apartments shows how statutory covenants may provide a vehicle for confirming agreements about the management of housing developed under planning concessions for affordable housing. The approach requires a well developed legal framework that is tailored to the specifics of the jurisdiction and development itself. In this context, covenants may provide a flexible tool where there is a need to regulate agreements about the ongoing use or management of housing that is created through planning related subsidies or concessions (for instance, affordable home purchase schemes where there is a requirement to implement a restriction on resale or transfer).

Which of the international approaches considered are likely to be more suitable for applications across the different Australian States and Territories, and what broader policy, legislative or financial interventions may be needed to support an expanded use of the planning system to promote affordable housing in Australia?

Many of the approaches used internationally may have potential for the diversity of local circumstances existing across the different Australian States and Territories. The matrix below (Table 6.2) considers the range of planning levers reviewed in relation to the different geographical and housing market contexts in Australia.

Table 6.2: Matching planning mechanisms to market contexts in Australia

<i>Housing Market Planning Mechanism</i>	<i>Inner City</i>	<i>Middle Ring</i>	<i>Outer Ring</i>	<i>Growth Area</i>	<i>Regional</i>
Land audit	●●●	●●	●	●●	○
Government dedication of land	●●●	●●	●●	●●	○
Government acquisition of land	●	●●	●●●	●●	○
Land development incentives / penalties	●	●	●●●	●●●	●
Audit existing controls; assess impact of proposed regulations	●●●	●●	●●●	●●	●
Development controls for diverse housing, in as many areas as possible	●●●	●●●	●●●	●●●	○
Faster approvals for preferred development	●●●	●●●	●●●	●●●	●
Overcome local barriers to affordable housing	●●●	●●●	●●●	●●●	●
Social impact framework	●●	●●	●●	●●●	●
Preserving particular house types at risk	●●●	●●	●●●	●●●	●
Assistance for displaced residents	●●●	●●	●●●	●●●	●
Voluntary negotiated agreements	●●●	●	●●●	●	●●
Mandatory negotiated agreements	●●●	●●	●●	●	●
Inclusionary zoning - mandatory contributions	●●●	●●	●●	●	●
Mixed tenure requirements	●●	●●	●●●	●●●	●●●
Impact fees	○	○	○	○	○

Scale:

○ – Measure usually not indicated for implementation in this type of market / measure unlikely to be implemented under current legislation in Australia.

● – Measure may be beneficial in this market context, depending on specific local or regional circumstances.

●● – Measure usually associated with positive impact on affordable housing in this market context

●●● – Measure is usually associated with the highest potential impact in this market context

Source: The Authors

As shown in Table 6.2, planning interventions that seek to secure or facilitate new supplies of land for housing development, particularly in locations associated with high demand, are likely to have significant impact on housing affordability. Similarly, approaches that enhance opportunities for the development of different housing forms, by dismantling existing barriers to housing diversity, are also indicated across markets of moderate and high demand. Other systemic measures to enhance the overall responsiveness of the residential development process include incentives and penalties for land development to discourage speculation. These are likely to be of particular importance in outer and regional growth areas.

Protective mechanisms are indicated in Australia's high value inner city areas subject to gentrification and in outer or regional growth areas where temporary housing forms like caravan parks may be at risk of redevelopment.

In the Australian context, incentives will create the most value within inner city or very high value coastal areas. Similarly, mandatory requirements for affordable housing contributions (either negotiated or as a fixed amount) will usually have the greatest yield in inner city locations and in outer fringe release areas where there is significant value uplift associated with a rezoning. In middle ring areas or Greenfield areas, where the gap between affordable home purchase costs and actual market value is relatively small, there is an opportunity to require a significant proportion of new housing to be made available for low and moderate income home purchasers or for acquisition by social housing providers.

6.1.1 Broader policy, legislative or financial interventions that may be needed to support an expanded use of the planning system to promote affordable housing in Australia

There are two major elements that separate Australia from the majority of international jurisdictions reviewed in this study. The first is the lack of any national policy for housing affordability in general, and new affordable housing creation in particular. Even in the case of the United States – where state governments have responsibility for spatial planning and local authorities implement public housing programs – the Federal Department of Housing and Urban Development plays an important policy role in promoting housing affordability. It also supports the non profit housing sector and the creation of new affordable housing units through the administration of funding programs such as the Low Income Housing Tax Credit Scheme.

In the United Kingdom, the strong central government emphasis on housing affordability and dedicated affordable housing creation focuses on the planning process as the main vehicle for new housing supply through regional and local targets and planning schemes. This is demonstrated in the case of the Greater London Authority. Strong central government policy emphasis on housing affordability, matched by enabling planning legislation for affordable housing creation, might be replicated by individual state governments in Australia. However, housing policy and planning system inconsistencies across state and territorial jurisdictions will remain.

The second element that is distinctly absent from Australian practice is the relationship between planning objectives or requirements and existing funding or incentives for affordable housing development. Irrespective of the total amount of capital funding for housing assistance in Australia, there is potential to maximise the leverage of this investment by a stronger use of the planning system to secure land for affordable housing development. This is being demonstrated in the case of South Australia and is shown clearly in relation to the United Kingdom and Ireland. If existing financial incentives for housing (through tax incentives or grants) were better

targeted towards affordable housing development, or new incentives introduced in Australia, they would be maximised by complementary planning system requirements.

Finally, significant institutional support and development will be needed to implement the range of enhancements outlined in this report – from overarching planning system improvements for housing affordability to the range of specific planning mechanisms to retain, promote and create new affordable housing. A consistent approach to defining targets for new housing supply in priority regions would provide a much stronger basis for progress and implementation at state and local levels. Such targets would include targets for housing that will be affordable to low and moderate income households. Such work could be resourced by a dedicated national policy and planning unit, similar to the United Kingdom's National Planning and Advice Unit. That unit could also fulfill a critical role in policy development, research and knowledge dissemination to bridge the professional chasms in Australia between the housing, urban planning and development sectors. The new Australian Government's proposed National Housing Supply Research Council has the potential to achieve this. Growing and channeling investment to a permanent supply of affordable housing and building capacity to develop and manage this housing will be complementary elements that are crucial to a complete approach.

6.2 Future research priorities

This project has raised many areas of potential inquiry that were not able to be addressed within the context of this study. Firstly, as raised in the literature review, there are concerns that the planning process adds significant and unnecessary costs to housing development – ranging from actual fees and charges for processing development proposals and for infrastructure contributions, to the development holding costs associated with delays in securing planning approval. Although research emerging from the development industry itself attempts to quantify the costs of these delays, to date there has been no independent scrutiny or verification of this work. A methodology to estimate the costs associated with planning assessment and approval would itself contribute to the overall planning system enhancements associated with greater housing affordability. To address this gap in knowledge, a new AHURI project entitled 'Planning, government charges, and the costs of land and housing' (Project 70393) commenced in mid-2007.

Secondly, the experience of the international jurisdictions included in this study reveals concern about housing market failures and the potential relationship between particular types of planning interventions and processes of housing abandonment or renewal. For instance, the inner cores of many cities in the United States are characterised by housing market failure and decay, while other parts of the same cities are simultaneously experiencing price inflation and unaffordability. Similar issues have been apparent in England, where until recently there was a marked distinction between low housing demand in the North and high demand in the South. Market failure has not been as significant a feature of Australian housing markets to date. However, if more deliberate interventions are to occur in the future – for instance, policies to escalate housing production and supply, as are occurring in the United Kingdom – then it is critical to assess and evaluate the potential implications of such interventions on different market outcomes in the Australian context.

Thirdly, as emphasised by a recent publication on the importance of evaluation in housing research (Milligan *et al.* 2007), it is critical to evaluate the impacts of new and ongoing approaches to securing affordable housing through the planning system. Current priorities for evaluative research are the model being developed in South Australia (for affordable housing inclusion in new development) and in Queensland

(the establishment of the Urban Land Authority to create residential development opportunities in high demand areas).

6.3 Conclusion

This report has examined the state of practice in planning for affordable housing across six international and four Australian jurisdictions. It has positioned housing affordability as a normative objective for spatial planning policy (where 'affordability' is understood as an adequate supply of appropriate housing in desirable metropolitan and regional locations), consistent with overarching economic, environmental and social goals. It has outlined the key policy arguments used across North America, the United Kingdom, Ireland and the Netherlands, as well as Australia, to support specific use of the planning system to retain, promote and create housing that is affordable to low and moderate income households. Those approaches include: the need to remedy planning system deficiencies that undermine housing affordability; to minimise and offset the impact of planning and residential development processes; to provide for and facilitate greater housing diversity; the potential to leverage more subsidised housing stock for low income people, in preferred locations; and, in some cases, the opportunity to recapture some of the gain associated with planning decisions, or to create additional gain through incentives for new affordable housing supply.

In reviewing international approaches across the United States and Canada, the United Kingdom, Ireland and the Netherlands, the research revealed a relatively long history of practice in planning for affordable housing. This dates from the post-WWII era in the Netherlands, and the 1970s in the United Kingdom and the United States. However, the real shift in policy emphasis towards the use of the planning system for affordable housing creation and deliver (particularly in the Netherlands and the United Kingdom) can be understood in the context of housing policy shifts since the 1980s towards tenure diversification and more market based forms of assistance. As this reorientation has coincided with inadequate levels of overall new housing supply in these nations, a new policy emphasis on enhancing the efficiency of the planning system itself has emerged in recent years. This emphasis on reducing planning system barriers to housing development converges with the emphasis of much of Federal level housing policy in the United States, which has focused on the removal of regulatory barriers to low cost housing development.

There has been some concern about a potential tension between such supply focused responses to housing affordability, and other planning policy objectives, such as biodiversity and agricultural land protection, or the reduction of infrastructure costs and air pollution associated with low density urban sprawl. Urban containment policies, which exist across more or less all of the jurisdictions reviewed, are often attacked as undermining overall housing affordability. Without restating the counter arguments here, it is important to note that different urban configuration and design requirements are associated with varying housing production cost impacts, although such differences are largely ignored in setting planning policies and controls. Regardless, the evidence presented in this study shows that across all of the international cases reviewed, urban containment policies coexist with and often reinforce explicit affordable housing objectives.

If there is some inconsistency or competition between these goals – for instance, if it is more expensive to remediate an inner urban brownfield site than to build on distant Greenfield land – then these are the elements that are properly weighed up and considered within a comprehensive spatial planning process. If this assessment results in an outcome that has implications for housing affordability, these will need to be offset by alternative provisions to ensure that adequate opportunities are secured

for low and moderate income households to access appropriate housing across desired metropolitan and regional locations. The range of specific planning mechanisms detailed in this report shows how this can be achieved.

The international experience reviewed in this study demonstrates the importance of promoting affordable housing objectives through system wide approaches, better needs assessment and planning methodologies, and specific planning levers or mechanisms. However, international experience also demonstrates the limitations of the planning system as a solution to housing affordability. At best, the planning system can play a supportive role in facilitating housing development in preferred locations by ensuring that affordable housing providers are able to access development opportunities and, in some cases, contributing to additional new affordable housing creation. These functions are most effective within a context of strong central government emphasis on housing affordability, clear spatial planning legislation, targets, provisions to secure land or opportunities for affordable housing creation, and a dedicated source of funds or incentives to encourage and support investment in a viable affordable housing sector.

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APPENDIX: LIST OF INFORMANTS

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Ms Karen Armstrong, Manager Strategic Planning, Randwick City Council.

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Dr Gideon Bolt, Faculty of Geographical Sciences, Utrecht University.

Ms Caroline Bond, Strategic Planner, Canada Bay Council.

Ms Afra Boon, Patromonium, Barendrecht.

Mr Stuart Boyd, Adeliade City Council.

Mr Rolf Fenner, Australian Local Government Association.

Ms Majorie Ferguson, Manager Strategic Planning, Canada Bay Council.

Mr Leon Fleming, Senior Program Officer, Strategic Planning, City Planning Branch, City Policy and Strategy Division, Brisbane City Council.

Ms Emma Greengage, Social Planner (Housing), Community Services Branch, Gold Coast City Council.

Ms Jacqueline Hansen, Byron Shire Council.

Mr Ben Hendriks, City of Sydney Council.

Ms Sarah Hill, Former Planner, Hammersmith Borough.

Ms Alice Lawson, Affordable Housing Innovations Unit, Department for Families and Communities (Vic).

Ms Robyn Masters, Community Development Project Officer, Byron Shire Council.

Ms Rowena Miers, Gosford City Council.

Ms Teresa Mok, Senior Planning Officer, Randwick City Council.

Professor Barrie Needham, Nijmegen School of Management, University of Nijmegen

Ms Helen O'Loughlin, NSW Department of Housing.

Mr Swen Pollen, Maaskoepel.

Mr Rob Ravestein, Senior Project Leader, Aedes, The National Federation of Housing Associations (June 2006).

Ms Olwen Redshaw, Office of Housing (Vic).

Ms K. Schrederhof, Municipality Rotterdam.

Mr Gary Spivak, City of Port Phillip Council.

Mr Ate Stam, Stadsregio Rotterdam.

Ms Wenda van der Laan Bouma-Doff, OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology.

Mr Hubert van Eyk, Advisor, MVRM (Ministerie van Volkshuisvesting, Ruimtelijke Ordening en Milieubeheer; Ministry of Housing Spatial Planning and Environment).

Ms Maria van Ginneken, Stadsregio Rotterdam.

Ms Laura Hewitt Walker, Policy and Program Development Division, Seattle Office of Housing.

Professor Peter Williams, Visiting Professor University of Sydney, Chairman of the Thames Valley Housing Association.

Mr Ross Woodford, NSW Department of Local Government

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