

# Neighbourhood renewal programs produce substantial non-housing benefits

RESEARCH FOUND THAT NEIGHBOURHOOD RENEWAL PROGRAMS BENEFIT THE WIDER COMMUNITY, WITH AN AVERAGE RETURN OF \$2.20 IN NON-HOUSING BENEFITS FOR EVERY \$1.00 SPENT ON RENEWAL. THEY CAN REVERSE NEGATIVE PERCEPTIONS OF A DISADVANTAGED NEIGHBOURHOOD, CONSEQUENTLY IMPROVING LEVELS OF WELLBEING FOR RESIDENTS.

## KEY POINTS

- Neighbourhood renewal (NR) programs produced significant wider benefits to the community. In the study areas there was an average return of \$2.20 in non-housing benefits for every \$1.00 spent on renewal.
- Benefits varied by area and were influenced by the size and value of surrounding private housing stock and the concentration of public housing. Benefits *might* also be boosted by emphasis on investment in community services.
- Neighbourhood renewal generated additional stamp duty revenues of \$5.2 million over the 10-year period of the study. It was also likely to increase other property tax revenues accruing to state and local government that were not included in the research.

*This bulletin is based on research conducted by Professor Gavin Wood and Dr Melek Cigdem at the AHURI Research Centre—RMIT University. This research estimated the increase in house prices that were due to the wider social and economic benefits of neighbourhood renewal projects and found there were non-housing benefits of \$2.20 for every \$1.00 invested.*

## CONTEXT

A growing body of Australian evidence indicated that the stigmatisation of housing in poorer neighbourhoods is associated with inferior access to health and education services, and relatively low levels of wellbeing (Bridge et al. 2003; Stone & Hulse 2007; Hulse & Saugeres 2008).

This motivated Australian State Housing Authorities to introduce NR programs to improve public housing quality and strengthen service delivery within areas of concentrated social housing. These programs aimed to generate positive outcomes for individuals and households, and strengthen social cohesion within the targeted communities. The aim was to reduce the socio-economic gap separating these areas from more advantaged communities.

## RESEARCH METHOD

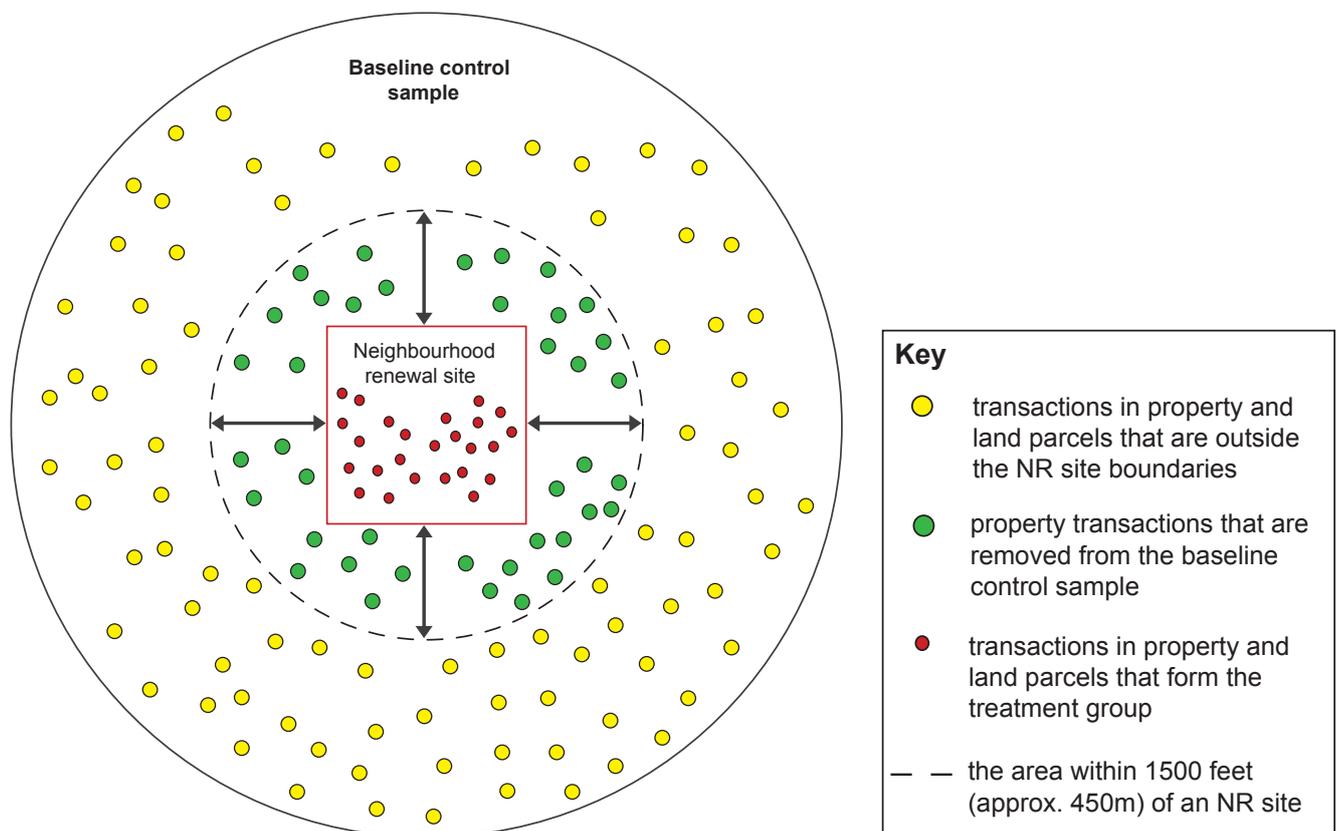
Neighbourhood renewal programs were evaluated using an economic analysis approach. This predicted

that when NR programs led to benefits such as improved physical appearance, reductions in crime, vandalism and so on, the demand for private housing in and around the renewal areas will grow, thereby increasing house prices.

The data used in the research was derived from house price profiles obtained from the Victorian Valuer-General's database of property transactions before and after the introduction of NR programs in Melbourne.

These profiles were compared with those from a control group of neighbourhoods and properties selected using criteria that ensured they were comparable to those close to the targeted areas. The control sample was selected from houses indistinguishable from other houses in the sample but over 1500 feet (approx. 450m) from the NR site (see Figure 1). The difference in house price trends between the control and renewal areas was then used to create estimates of the renewal program's benefits to the wider community.

**FIGURE 1: SELECTION OF THE BASELINE CONTROL SAMPLE**



## KEY FINDINGS

### **Neighbourhood renewal produces non-shelter benefits**

A first stage analysis found that NR was the source of positive price premiums in five of the seven sites analysed. Subsequent analysis, using more precisely defined control groups, found positive price premiums for all areas that underwent renewal, although the details of these results have not yet been published. In the five areas with consistently significant increases in house prices, the premium varied from 4 per cent in Maidstone to as high as 17 per cent in Hastings (see Table 1).

The housing externality benefits total \$372 million at 2011 prices. Across the five NR areas with such benefits, expenditure outlays to 2010–11 total \$106 million (at 2011 prices), so every dollar spent on NR in these areas is responsible for \$3.50 of housing externality benefits.

There were two NR areas (Doveton and Werribee) where zero or negative housing price gains were detected, but more recent research has detected benefits in these areas also. Even after accounting for these two areas, the research estimates that there are benefits of \$2.20 for every dollar invested in NR areas over a nearly 10-year period (2002–11).

### **Non-shelter benefits vary across neighbourhood renewal areas**

Unsurprisingly, benefits tended to be bigger where the private housing stock was larger (and of higher value) within the boundaries of NR areas. Larger concentrations of public housing also increased the impact of upgrades to public housing units. One area with high benefits (Ashburton) was also distinctive because of a relatively light emphasis on capital spending (67% of total), and a relatively strong focus on employment and community infrastructure services at 18 per cent of the total expenditure budget.

### **State governments gain incidental revenue from taxes and charges**

Part of the housing gains went to government through increased tax revenues. The study measured increases in stamp duty revenue that resulted from NR and found total stamp duty revenues were estimated to increase by \$5.3 million (at 2011 prices). This study did not calculate the increased revenue from other property taxes, though this would likely further improve the net benefit derived from NR programs.

**TABLE 1: BENEFITS AND COSTS OF NEIGHBOURHOOD RENEWAL IN FIVE AREAS**

Suburb	Price premium (%)	Total private housing stock within NR site (units)	Aggregate benefit (2011 prices) \$m	Total expenditure (2011 prices) \$m	Benefit/cost ratio	Public housing (as % of all housing stock)
Maidstone	4%	3,624	51.3	57.0	0.9	21.2
Ashburton	8%	4,260	182.1	14.4	12.6	19.9
Broadmeadows	15%	1,286	55.1	16.3	3.4	30
West Heidelberg	14%	329	17.4	10.2	1.7	48.9
Hastings	17%	1,683	65.8	8.0	8.2	14.5
<b>All five suburbs</b>			<b>371.7</b>	<b>105.9</b>	<b>3.5</b>	

Note: Total expenditures in each financial year from the NR program's introduction to 2010–11; financial year cost outlays have been converted to 2011 prices.

## POLICY IMPLICATIONS

This study showed that higher house values occurred as a result of completing NR programs. The higher sale prices also generated additional stamp duty revenues for state governments which partly offset the cost of NR programs.

The research indicated that investment in NR programs can help to reverse negative perceptions of a neighbourhood and consequently raise property values and improve levels of wellbeing for residents in disadvantaged neighbourhoods. The study's findings are important because they suggest that NR programs can be justified on the grounds of economic efficiency, an argument that has been absent from the Australian policy discourse.

The source of housing externality benefits could be lower levels of crime and vandalism, or higher income and employment as private investment in the area revives.

Further research is needed to unpack the benefits caused by increased house prices following NR. This is a new methodology in Australian urban and housing research that could be used as an evaluation tool in a range of areas relevant to urban and housing policy-makers. Examples include the appraisal of amenity and social impacts associated with new industrial developments, parks and recreation facilities, and transport infrastructure projects.

## FURTHER INFORMATION

This bulletin is based on AHURI project 30670, *Cost-effective methods for evaluation of neighbourhood renewal programs*.

Reports from this project can be found on the AHURI website: [www.ahuri.edu.au](http://www.ahuri.edu.au) or by contacting AHURI Limited on +61 3 9660 2300.

## REFERENCES

Bridge, C., Flatau, P., Whelan, S., Wood, G. and Yates, J. (2003) *Housing Assistance and Non-Shelter Outcomes*, AHURI Final Report No.40. Melbourne: Australian Housing and Urban Research Institute.

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