

## MEDIA RELEASE

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### **New AHURI study examines how Australia's planning system can deliver more affordable housing**

- Study examines how planning schemes such as inclusionary zoning and density bonuses can deliver new affordable housing (i.e. housing available at below market cost for low-income groups with unmet housing need).
- In the UK and US, planning mechanisms have made a significant contribution, including 83,790 new affordable homes in the UK between 2005 and 2016.
- In the same period, two Australian states have delivered 2009 dwellings (SA) and 1,287 dwellings (NSW).
- In the US and UK private developers accept inclusionary requirements when they are known in advance and levied in a consistent way.

Mandating the development of affordable housing when land is rezoned, offering developers voluntary planning incentives and providing density bonuses are some of the opportunities to leverage the planning system to create more affordable housing, according to a new report by the Australian Housing and Urban Research Institute (AHURI).

The research, *Supporting affordable housing supply: inclusionary planning in new and renewing communities*, examined how land-use planning mechanisms may help supply affordable housing in Australia, based on positive experiences in the UK and USA. It found that between 2005 and 2016, planning schemes led to 2009 affordable homes being built in South Australia and 1,287 in NSW while in the UK similar schemes led to 83,790 new affordable dwellings.

'Our research found that, in England and Scotland, the general expectation is for 20 to 40 per cent of new housing developments to be affordable housing across the continuum of needs and options,' says lead researcher Professor Nicole Gurrán from the University of Sydney.

'Local planning authorities identify the level of unmet housing need and use locally negotiated agreements to obtain contributions from private housing developments to supply affordable housing, with exact requirements determined in relation to site-specific considerations, including financial viability.'

The City of San Francisco (USA) combines an inclusionary zoning requirement with density bonus incentives and requires new private housing developments with 10 or more housing units to include affordable housing units or pay a fee in lieu. These inclusionary requirements have delivered around 150–250 affordable units per annum in recent years, representing around 12 per cent of annual new housing supply.

The researchers found that in both the US and UK private developers accept inclusionary requirements when they are known in advance and levied in a consistent way. In addition, government grants, subsidies, planning bonuses and incentives that support or work in conjunction with mandatory inclusionary housing requirements, can increase overall supply and affordability outcomes.

In Australia, the South Australian Government's inclusionary housing requirement, introduced in 2005, requires that 15 per cent of all housing in significant residential developments (including urban renewal and greenfield contexts) should be affordable to low or moderate-income earners. In addition to the 2009 affordable homes already built, a further 3,476 homes are in development. This amounts to about 17% of housing output in South Australia.

Under the South Australian model, which is similar to approaches used in the UK and US, affordable homes are set aside for purchase by eligible households or social housing providers. The reduced profit from the affordable component is factored into land values at the time of acquisition, so does not constitute a cost for the whole project.

In NSW, a voluntary "density bonus" offers developers increased floorspace in return for affordable rental housing. The affordable units must be rented to eligible households at 20% market discount for a minimum of 10 years. The study found that, despite much greater population growth and housing affordability pressures than other states, the density bonus and other voluntary incentives introduced since 2005 have delivered only 1,287 units. This equates to between 0.5–1 per cent of Sydney's housing supply in 2009–17.

The study found that take up of the NSW density bonus was increasing, however, the limited 10 year duration of the affordable rental housing further limits the potential impact of the scheme.

'There is great potential to extend inclusionary planning approaches across Australia,' says Professor Gurrán. 'Affordable housing inclusion can be mandated when land is rezoned for residential development, when planning rules are varied for particular projects, or following significant infrastructure investment.'

However, Professor Gurrán emphasised that additional subsidy is still needed to fund housing for very low income earners. "The planning system should better support affordable and social housing development by reducing land costs and ensuring that affordable homes are well located near jobs and services. But inclusionary planning cannot replace government funding to meet high housing needs."

The report was undertaken by researchers from The University of Sydney, The University of NSW, Curtin University and the University of Glasgow.

**The report can be downloaded from the AHURI website at:**

<http://www.ahuri.edu.au/research/final-reports/297>

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