

# How can the planning system be used to secure affordable housing in urban renewal areas?

RESEARCH SUGGESTS THAT THE BEST WAY TO DELIVER A STEADY SUPPLY OF AFFORDABLE HOUSING IS WITH A SIMPLE AND CONSISTENTLY APPLIED OVERARCHING POLICY FRAMEWORK, SUPPORTED BY FLEXIBLE DELIVERY OPTIONS AND RESOURCES SUCH AS LAND DEDICATION OR GOVERNMENT FUNDING.

## KEY POINTS

- Since 2008 most Australian jurisdictions have introduced specific planning initiatives for affordable housing. The models identified in this research project appear to be achieving their aim of providing well-located, integrated and more diverse affordable housing products.
- Flexibility to allocate funds to various stakeholders and various projects in Australian Government housing programs has enabled these programs to integrate effectively with the varying jurisdictional approaches to planning for affordable housing. The study found there is an increasing shift towards 'cross leveraging' planning system opportunities with other incentives and funding for affordable housing development.
- These planning changes appear to have generated more affordable housing development in urban renewal areas in each jurisdiction. However, private sector development of affordable housing in inner city areas has been harder to generate, especially in Sydney.
- There is a role for governments in facilitating affordable housing, particularly in taking the lead as land agent and facilitator, communicating and educating stakeholders on

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the need for affordable housing, taking on some of the risk of development, providing subsidies and ensuring a long-term planning approach to affordable housing.

## CONTEXT

Delivering affordable housing in urban renewal contexts is one of the key urban growth management challenges facing policy-makers in Australian cities. As metropolitan planning has increasingly stressed the need to contain population growth within established urban areas at higher densities, infill development and urban renewal have become important vehicles for new housing supply. However, there are some major challenges associated with affordable housing provision in urban renewal contexts.

In recent years, Commonwealth funding for affordable housing delivery has been increased under the Nation Building and Economic Stimulus Package (NBESP), the National Rental Affordability Scheme (NRAS) and Housing Affordability Fund (HAF). At the same time, state governments have reformed planning regimes and urban renewal programs (redeveloping and enhancing underutilised areas) to support retention and expansion of affordable housing. This project sought to better understand how these various areas of policy intervention by State and Federal governments have worked to secure more affordable housing.

## RESEARCH METHOD

Nine urban renewal projects were selected as case studies in Brisbane, Adelaide and Sydney, and the approach to planning for affordable housing in each was documented. For each case study, the researchers gathered data on affordable housing outcomes and conducted in-depth interviews with representatives of state and local government, the property industry and the not-for-profit housing sector.

## KEY FINDINGS

### ***How do current planning systems foster affordable housing within urban renewal contexts?***

There is increasing use of government land or development authorities to facilitate land for housing supply in urban renewal contexts, with varying levels of mandate for including dedicated affordable housing for low and moderate income earners as well as wider affordability goals.

New models identified in this research project appear to be achieving far more than what might be termed Australia's 'first generation' affordable housing schemes, which for the most part have simply provided a modest revenue for affordable housing development funds via specific development contribution requirements. Instead, the new models ensure that affordable housing is well located and integrated within the overall development process, and affordable housing products are generally more diverse (across the spectrum of low-cost home ownership through to subsidised social housing), which require varying levels of additional subsidy to meet the needs of target groups.

### ***How do these approaches integrate with other Commonwealth, state, or local investments or subsidies for affordable housing and how might they do this better?***

Government funding was expected in almost all the case studies, most often through the NBESP, NRAS and HAF. In some cases, a combination was needed.

State governments have been providing subsidy through the provision or discounting of land, or by taking on some risk or holding costs. State housing authorities have also provided additional funding to not-for-profit providers, either through other grants, title transfers or through resourcing and capacity support. Local government subsidy is currently piecemeal and limited by budget constraints.

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

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

### ***What is the effectiveness of these approaches to planning for affordable housing?***

Compared to Australia's 'first generation' affordable housing schemes, emerging approaches to planning for affordable housing appear to be generally more effective, with current approaches more likely to emphasise not harming development viability and encouraging building affordable dwellings in urban renewal developments. For example, in NSW nearly 4000 affordable housing units have been secured for urban renewal sites since the mid-1990s.

While housing needs assessments have also informed policy and practice in Brisbane and Adelaide, most of the affordable housing delivered to date in urban renewal contexts in these two cities has been one- and two-bedroom dwellings at, or near, market value. This reflects development viability considerations rather than the full range of housing needs (in many cases renewal is premised on creating 'full market potential' of housing).

This housing has generally been well-located. Development has been relatively straightforward in greenfield sites across all states, but not in urban renewal contexts in inner city areas. For example, the Affordable Rental Housing State Environmental Planning Policy (A-SEPP) in New South Wales has had little impact in developing affordable housing in inner city areas of Sydney, while in Adelaide

it has taken significant subsidy to work. The success in generating affordable housing in inner city Brisbane was attributable to the care taken to offset any requirements for affordable housing through the planning provisions so as to not harm development viability.

### ***What is the role of the planning system in facilitating access to development opportunities for affordable housing providers?***

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

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

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

Approaches to planning for affordable housing are unlikely to deliver immediate returns and require housing developers (both for-profit and not-for-profit) to adjust to them. It is therefore important that new initiatives are given time to settle and become established. A 'slow and steady' approach may help in the early stages of an initiative's implementation, whereby targets and/or requirements increase progressively over time.

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

## POLICY IMPLICATIONS

This research suggests some important ongoing roles for governments in the provision of affordable housing in urban renewal contexts, including:

- *Land agent and facilitator:* the complexity of many urban renewal sites makes them unattractive to private developers. Governments can make urban renewal sites more attractive to developers by engaging in land assembly, disposal and infrastructure installation, and increasing planning certainty and timeliness.

- *Communicator and educator:* stakeholder understanding and acceptance of affordable housing are essential for it to become established and productive over the long term. A starting point may be to reduce the confusion within the general public about what governments mean when they use the term 'affordable housing'.
- *Risk taker:* to reduce risk faced by developers, governments can assume a demonstration role and/or take on some of the development risk.
- *Provider of subsidy:* both the international literature and this research suggest that planning mechanisms generally complement, rather than replace, government subsidies.
- *Planning for the long term:* approaches to planning for affordable housing take time to become 'bedded down' and require housing developers (both for-profit and not-for-profit) to adjust to them. This means policy-makers need to take a 'slow and steady' approach in which targets and/or requirements increase progressively over time, and developers can count on the certainty of a consistent government policy position.

## FURTHER INFORMATION

This bulletin is based on AHURI project 70691, *Affordable housing, urban renewal and planning: emerging practice in NSW, SA and Qld.*

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.

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