Strategic planning, ‘city deals’ and affordable housing

From the AHURI Inquiry
Urban productivity and affordable rental housing supply

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<tr>
<td>AHURI</td>
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<tr>
<td>CBD</td>
<td>Central business district</td>
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<td>CDBG</td>
<td>Community Development Block Grant (United States)</td>
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<td>CDT</td>
<td>Contrats de Développement Territorial (France)</td>
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<td>HUD</td>
<td>Department of Housing and Urban Development (US)</td>
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<td>LGA</td>
<td>Local Government Area</td>
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<td>NSW</td>
<td>New South Wales</td>
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<td>SCRPGP</td>
<td>Sustainable Communities Regional Planning Grant Program</td>
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<td>UDA</td>
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**Glossary**

A list of definitions for terms commonly used by AHURI is available on the AHURI website [www.ahuri.edu.au/research/glossary](http://www.ahuri.edu.au/research/glossary).
Executive summary

Key points

This project examined how strategic spatial planning and funding interventions such as ‘city deals’ can leverage affordable rental housing choices near employment centres, enhancing urban productivity.

- Place-based deals, such as Australia’s emerging City Deal model, offer unique opportunities for enhancing urban and regional productivity by reconfiguring spatial relationships between employment, affordable rental housing and transportation.

- ‘Satellite cities’ such as Wollongong and Geelong, near capital city employment centres like Sydney and Melbourne, can play an important role in providing affordable rental housing for Q2 workers (i.e. in the second-lowest income quintile).

- Strategies for connectivity should support new and skilled employment opportunities within satellite cities, to ensure that Q2 renter households are not forced to commute long distances.

- Overall, the study finds that specific mechanisms are needed to create or preserve affordable rental housing in areas benefiting from new investment and improved connectivity to employment opportunities. Such mechanisms are largely absent in capital city strategic plans and regional planning frameworks.

Internationally, and increasingly in Australia, strategic funding interventions such as city deals have emerged as targeted place-based models for catalysing economic development through investment and infrastructure supporting jobs, housing and connectivity.

Australian cities and regions are defined by a growing mismatch between the locations of employment and the geography of affordable rental housing, which has important implications for urban productivity. Lower-income workers, who play a critical role in urban labour markets, are finding it increasingly difficult to access affordable rental housing near major employment centres.

This study examines international and Australian practice in using place-based deals, within wider strategic planning frameworks, for supporting employment and housing growth. It assesses how strategic interventions can best leverage affordable rental housing choices near employment, enhancing urban productivity.

This is the third of four project reports for the Australian Housing and Urban Research Institute (AHURI) Inquiry into Urban productivity and affordable rental housing supply. The Inquiry’s overall research question is: How does affordable rental housing supply support labour markets and urban productivity, and what are the implications for strategic funding and planning interventions in metropolitan and non-metropolitan Australia?

This report addresses the following research question.

- How can strategic spatial planning and funding interventions leverage affordable rental housing choices near employment, enhancing urban productivity?
Within this overarching research question, a series of more detailed questions guided the project.

1. What are the key features of strategic city- or place-based funding approaches and practice used in the United Kingdom (UK), Europe and North America in terms of governance, funding, implementation, performance measures and housing? How might these approaches be instructive for Australia?

2. To what extent do current Australian capital city/regional planning frameworks integrate strategies for housing affordability, transport connectivity and employment growth, including strategies for increasing affordable rental housing supply near employment opportunities and for increasing connectivity/employment opportunities in lower-cost housing markets?

3. Where are the housing supply and job opportunity mismatches for low-income (Q2) households in Sydney, Melbourne and the satellite cities of Wollongong and Geelong? What are the potential strategies to support more balanced housing supply and employment growth in those areas?

Key findings

International evidence: place-based deals as strategic funding interventions

Against the international backdrop of decentralisation and multilevel governance, place-based deals are being deployed to catalyse new investment; support employment and housing growth; and improve planning and policy coordination across different tiers of government.

This study examined international experience in developing and implementing place-based deals across North America, Europe, and the UK. Three primary lessons emerged through the analysis.

- First, a focus on infrastructure funding in place-based deals to support economic development has meant that benefits to disadvantaged groups are often unclear.
- Second, to the extent that housing is considered in place-based deals, the emphasis is often on overall housing supply targets, which have not translated into improved outcomes for low-income households in private rental. There is a need to consider the potential impact of transport or other major infrastructure investments on housing markets and the potential displacement of low-income renters when housing markets rise due to improved connectivity.
- Third, the primary objectives of funding deals, as well as frameworks for monitoring and measuring performance, need to be made explicit, and governance arrangements should be robust and transparent. Additional capacity funding for local governments is often needed.

Australian strategic planning and policy frameworks, and funding interventions

Place-based funding interventions intersect with wider strategic planning frameworks. In Australia, capital city planning frameworks establish the spatial objectives and policies for future growth and change within established and new development areas. Findings of this study’s review of these strategic frameworks are as follows.

- Employment growth, transport connectivity and housing choice/affordability are all key objectives emphasised by Australia’s capital city strategic plans. However, strategies for integrating these elements are underdeveloped and depend on high levels of coordination and collaboration between state and local agencies.
• Overall, capital city strategic planning frameworks emphasise: improving transport connectivity to existing and planned growth areas; providing and protecting employment lands; increasing housing densities near existing employment centres and transport nodes; and encouraging jobs growth in subregional and local centres.

• There is strong potential for strategic funding interventions such as city deals to catalyse key elements of these strategic frameworks—as is occurring through the Western Sydney City Deal and the planned Geelong City Deal—bringing employment closer to existing and planned housing. However, specific strategies are needed to ensure that rental accommodation remains affordable and available for low-income (Q2) households.

The potential role of satellite cities
This study considered the existing and potential role of satellite cities in addressing growth and housing affordability pressures in major cities such as Sydney and Melbourne. Satellite cities—such as Wollongong in New South Wales (NSW) and Geelong in Victoria, which were a focus in this study—are located in close proximity to metropolitan areas, and have close economic and transport connections with a major city but remain physically separate. Satellite cities typically offer more affordable rental housing supply but lower job accessibility than major cities, with weaker local employment opportunities and long commuting times to metropolitan centres.

The study drew on interviews with state and local planners and economic development officers. Findings of the analysis include the following.

• Satellite cities have lower-cost housing markets and can play a role in offering affordable rental accommodation for lower-income workers. However, it is important to ensure that housing growth is balanced by local employment and transport opportunities, to ensure that Q2 renter households are not forced to commute long distances.

• Strategic planning frameworks for both Wollongong and Geelong seek to stimulate new job creation in central areas, improve local transport connectivity, and diversify housing options. Existing ‘anchor’ institutions, particularly medical facilities and universities, provide a strong basis for establishing new knowledge industry ‘clusters’, while relatively lower-cost housing markets are an incentive for firms and employees to relocate from metropolitan areas.

• Lifestyle and amenity benefits offer competitive advantages for these ‘second-tier’ cities. However, these cities often have high car dependency and there is a risk that new residential release areas will be poorly served by public transport, undermining affordable living objectives.

• The Geelong City Deal represents an important opportunity to catalyse local jobs and investment, both in the central business district (CBD) as well as across the Greater Geelong region. A similar strategic funding intervention in Wollongong would support ongoing efforts to diversify the local and regional economy within Wollongong and Illawarra-Shoalhaven.

Addressing housing supply and job opportunity mismatches
Building on key findings from the first two projects in this Inquiry (Hulse, Reynolds et al. 2019; Dodson, Li et al. forthcoming), which highlight the shortage of affordable rental housing available to Q2 renters in accessible areas, this project examined barriers to and opportunities for addressing this spatial mismatch. The analysis focussed on four case studies: Sydney, Melbourne and satellite cities Wollongong and Geelong. Findings include the following.

• There is potential to increase the supply of housing affordable and available to Q2 renter households in key areas of Sydney and Melbourne. These areas include locations where low-income workers are currently experiencing affordability stress, as well as where the ‘market’ offers rental housing that is affordable to Q2 households but availability remains
limited (due to competition for these dwellings with Q1 and Q3 households). Locations include Liverpool and Blacktown in Sydney.

- Complementary strategies include sustaining and increasing social housing investment (for Q1 households) and affordable home ownership products (for Q3 households) in these locations.

- Similarly, there is an opportunity to prioritise strategic transport and infrastructure investment for areas that offer affordable rental housing but have lower accessibility to jobs—as demonstrated by the Western Sydney and Geelong City Deals. Preserving and increasing the supply of rental housing affordable to lower-income workers in areas benefiting from such investment remains critical.

- Satellite cities such as Wollongong and Geelong, which are linked to Sydney and Melbourne by high-quality transport connections, can provide affordable rental housing opportunities. However, interviewees described the paradox in government strategies that are designed to improve connectivity to capital city employment centres while also seeking to attract and retain a local labour market to live and work in the local area. Hence, strategies that aim to support jobs growth within satellite cities, while preserving affordable rental supply and providing a spectrum of other housing choices, should be prioritised.

Policy development options

This project’s review of strategic policy interventions and funding ‘deals’ used internationally—and increasingly in Australia—suggests that these ‘bespoke’ models offer some promise as a vehicle for catalysing new economic opportunities, and for supporting collaboration across and beyond government. However, explicit levers for affordable housing are needed to ensure that Q2 renters are able to access accommodation in proximity to employment opportunities, particularly in higher-value capital city markets.

Overall, international and Australian interviewees emphasised that place-based funding deals should exhibit the following characteristics.

- Defined aims and objectives, with strategies and funding packages reflecting an accurate and contestable evidence base.

- Strategies to ensure that existing affordable rental housing supply is preserved, and/or new opportunities created, in contexts where new infrastructure or other investments may inflate local house prices or rents.

- Clear governance structures, with defined roles for each partner.

- Structured opportunities for public engagement and consultation, including recognition of local communities of interest, such as Indigenous communities, and representation of disadvantaged and/or vulnerable groups.

- Defined implementation arrangements that are closely aligned with local planning and other decision-making processes.

- Funding arrangements with achievable time frames.

- Meaningful performance measures, a monitoring framework, and time frames for review.

The study’s review of Australian capital city strategic planning frameworks identified a need for specific levers to preserve and deliver affordable housing in accessible locations. City deals, as a strategy for fostering new economic opportunities in metropolitan or regional areas, provide an opportunity to more closely link these funding packages with defined approaches for delivering affordable rental housing supply.
In identifying options for addressing employment/housing spatial mismatches, this study found that opportunities for supporting the supply of rental housing affordable to Q2 households exist in both Sydney and Melbourne. Such opportunities include the following.

- Supporting more market-driven affordable rental housing in accessible areas through provision of density bonuses. This currently occurs in Sydney, where developers can achieve additional floorspace in return for ensuring that a proportion of dwelling units are rented to eligible households at a 20 per cent market discount for at least 10 years.
- Preserving affordability, in areas benefiting from new investment, through inclusionary planning requirements for new development. These requirements should be ‘matched to market’ and could include mechanisms to maintain affordable home ownership for lower-and moderate-income earners (as seen in the South Australian model); or to ensure that a proportion of new dwellings are available to lower-income households at an affordable rent.
- Ensuring that City Deals or similar funding interventions require substantive affordability outcomes, in addition to overall housing supply targets, including planning reforms (where needed) to implement local inclusionary zoning schemes.

The study

The research approach for this study combined three elements: an evidence review of international practice, to develop a typology of models of strategic spatial investments or ‘deals’, supported by a review of Australian capital city planning frameworks; interviews with planners and economic development officers in Sydney, Melbourne, Wollongong and Geelong; and targeted spatial analysis of rental affordability and employment accessibility.

Fieldwork and analysis for this study were carried out during 2018 and 2019.

- **Stage 1 (evidence review)** involved a review of international practice (spatial funding and city deal programs) in the UK, Europe and North America. This review was supplemented by interviews with academic and practitioner experts.

- **Stage 2 (interviews)** comprised an analysis of capital city planning frameworks, particularly in terms of strategies for connecting employment and housing growth, and the role of strategic funding interventions (such as the Western Sydney City Deal). This aspect of the study involved 18 interviews with 20 state and local planners and economic development officers. Sydney, Melbourne and the satellite cities of Wollongong and Geelong were used for case study analysis.

- **Stage 3 (spatial analysis)** drew on evidence from Inquiry Projects A and B regarding the geography of private rental housing affordable and available for Q2 renter households (Hulse, Reynolds et al. 2019); and the commuting patterns of Q2 workers (Dodson, Li et al. forthcoming). We conducted spatial analysis of median rents relative to affordable levels for Q2 households across Sydney and Melbourne, and compared this with the location of jobs. We used this data, as well as the interviews with state and local planners and economic development officers, to identify existing and potential strategic interventions for creating more balanced housing and employment growth in the case-study areas (Sydney, Melbourne, Wollongong and Geelong).

The spatial analysis of existing (and potential) affordable rental housing markets and employment accessibility provided a basis for identifying priority locations for increasing rental housing affordable to Q2 households or improving jobs accessibility.
1 Introduction

- Place-based funding interventions such as city deals have the potential to address problems of spatially uneven housing and employment growth in urban and regional Australia.

- This report examines international evidence and emerging Australian practice in using place-based deals to catalyse economic opportunities and housing development through infrastructure investment and integrated governance and planning.

- In particular, the study seeks to understand the ways in which capital city and regional planning frameworks, supported by strategic funding interventions like city deals, might improve connections between affordable rental housing and employment opportunities, enhancing urban productivity.

- This introductory section sets out the background and policy context for the study, as well as the research approach.

1.1 Why this research was conducted

There is growing concern about uneven economic growth in metropolitan and regional Australia, and relationships between housing, labour markets, and urban productivity (Australian Government 2019; DITCRD 2015). However, strategies to address the spatial mismatch between employment opportunities (clustering in central city locations) and lower-cost housing supply (gravitating to outer suburban and regional Australia) remain at an early stage of development.

Internationally, metropolitan economic strategies or funding ‘deals’ between central and local governments around infrastructure investment, urban planning or housing have sought to address such problems of spatially uneven housing and employment growth. Examples include the UK’s City Deals, which seek to deliver strategically integrated infrastructure (including housing) and economic development; and France’s territorial development contracts (CDTs), which set targets for housing construction and economic development proximate to new public transit.

Similarly, Australia’s City Deals in Townsville, Launceston and Western Sydney have sought to catalyse new economic opportunities in suburban and regional areas, with affordable housing a particular concern in the context of the Western Sydney deal. This emerging Australian practice, and more established international experience, offers important policy insights into how strategic city deals and planning interventions might lift housing choice and boost productivity in urban and regional Australia more widely.

In this context, and as part of the wider AHURI Inquiry into Urban productivity and affordable rental housing supply, this study seeks to examine Australian and international evidence on the range of strategic planning and funding interventions for lifting economic growth and urban productivity, specific regard to the role of affordable rental housing. Low-income workers (i.e. in the second-lowest income quintile or Q2) play an important role in the labour market and often depend on the private rental sector when they relocate for employment opportunities and because they are unable to afford home ownership, especially in major metropolitan areas.
project focusses particularly on strategies to increase the availability of rental housing affordable to Q2 renter households.

The study is informed by initial findings from two earlier research projects in this Inquiry.

- **Research Project A** (Hulse, Reynolds et al. 2019) examined the geography of private rental housing affordable and available to Australian Q2 households, relative to employment opportunities. It found that the supply of rental housing affordable and available to Q2 households has declined over the past two decades, particularly in the major cities, with Sydney now defined by absolute shortage. Consequently, in order to access housing in locations with higher accessibility, many Q2 households are experiencing rental stress. Others are living in areas with poorer access to employment opportunities and have lower participation in the labour market.

- **Research Project B** (Dodson, Li et al. forthcoming) examined the commuting patterns of Q2 workers in Sydney and Melbourne. This study found that Q2 workers often live in areas of lower affordability, minimising their commuting burden but paying higher housing costs. Q2 workers who opt to access more affordable housing, on the other hand, often endure very long journeys to work.

These two studies provide evidence of the spatial mismatch between employment and affordable housing opportunities in Australia. Despite an expanding rental supply and increased new housing provision, particularly in well-located areas (Ong, Dalton et al. 2017), Q2 renter households are struggling to access affordable accommodation in well-located areas, particularly in the major cities. This has implications for urban productivity, which may decline if lower-income workers are priced out of metropolitan areas.

Informed by this evidence base, this study examines the existing and potential policy interventions for addressing spatial mismatches between the location of employment and affordable housing opportunities.

### 1.2 Policy context

Australia’s economic productivity has become increasingly concentrated in the major cities, particularly Sydney and Melbourne, which together account for nearly 45 per cent of Australia’s gross domestic product (GDP) and 69 per cent of GDP growth in 2016–17 (SGS Economics and Planning 2017). This concentration of economic activity reflects a process of economic and regional change that has occurred since the 1980s. Restructuring in agricultural and manufacturing industries has resulted in many urban and regional areas experiencing economic challenges, while others—particularly the central cores of Australia’s capital cities—have benefited from the rise of knowledge industries and services (e.g. education, communications and health).

This uneven development has contributed to a growing mismatch between the location of employment and housing opportunities, with high demand for housing in accessible areas near transport and jobs. Although in recent years there has been a strong housing supply response across the major cities, particularly in the form of higher-density developments (Ong, Dalton et al. 2017), Census data shows that more than 22 per cent of households in Sydney and 19 per cent of households in Melbourne were in rental or mortgage stress in 2016 (DITCRD 2019a).  

The Australian Government’s framework for future population growth recognises that concentrated patterns of population and economic growth in Australia’s cities have enhanced

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1 Where households are considered to be in rental or mortgage stress if they spend more than 30% of their gross income on housing costs.
innovation and productivity but also exacerbated pressures on housing and infrastructure (Australian Government 2019). As discussed in Section 3 of this report, state metropolitan and regional planning frameworks seek to address such pressures: for instance, by better connecting locations of employment and housing growth. Such strategies depend on a high degree of coordination across infrastructure and planning agencies at state and local government levels, as well as adequate investment in transport and urban services in order to catalyse employment and housing in priority locations.

The Australian City Deal model has emerged as a way for different levels of government to collaborate around transformative urban and regional projects, often with explicit objectives to stimulate new economic investment in strategic locations while leveraging housing supply and affordability. Thus, City Deals represent an important new development in Australian urban policy, with potentially significant implications for housing outcomes, alongside wider local and regional economic objectives.

1.3 Existing research

Existing Australian research on place-based funding interventions such as City Deals is limited given their recent introduction. However, there are parallels with earlier Commonwealth initiatives with a place-based focus, such as the Building Better Cities Program, which operated from 1991–96 and sought to improve Australian cities and address locational disadvantage through integrated infrastructure and planning (Neilson 2008; Troy 1995; Walter and Holbrook 2015). The program ultimately supported 26 Better Cities Area Strategies, combining Commonwealth, state and territory funding, and was a driving catalyst in the shift towards urban renewal as a primary mode of development—exemplified by projects such as the Pyrmont-Ultno precinct and the urban village model in East Perth (Greive, Jeffcote et al. 1999). Conceived as demonstration projects, affordable housing was an important part of such initiatives, which sought to lead the market in catalysing mixed-use economic and housing development precincts supported by infrastructure and transport (Bryant 2016).

Evaluations of the Building Better Cities Program have recognised the role of Commonwealth funding as an important lever for coordinating infrastructure, transport and land-use planning across the different levels of government, and with a place-based (rather than portfolio-based) focus for intervention (Gleeson 2001). Although locational disadvantage continued to deepen in the areas targeted and affordable housing outcomes proved disappointing (Greive, Jeffcote et al. 1999), the focus on spatial strategies (rather than ‘aspatial’ economic reform initiatives) is regarded as an important and unique legacy of the program (Gleeson 2001).

Internationally, a number of analogous models for strategic place-based funding interventions have evolved, including in North America, Europe and the UK (O’Brien and Pike 2015; Rich 2014). Common across these approaches has been the notion that ‘bespoke’ place-based interventions are needed to address and respond to complex contextual factors, meaning that a diversity of approaches have emerged, with different funding, governance and implementation arrangements. Some researchers have criticised the underlying government rationales associated with place-based deals, which, in the UK, have come to be associated with austerity measures and devolution (Waite, Maclennan et al. 2013) and questionable transparency (Tomaney 2016). However, the potential for central governments to drive wider policy outcomes through targeted and tied funding programs implemented at the local level underpins the endurance of models such as the Community Development Block Grants in the United States (US) (Rich 2014). Place-based deals offer an important framework for integration of policy areas such as urban and regional development, planning, infrastructure investment and housing, which often straddle different levels of government as well as multiple portfolios. On this point, international evidence suggests institutional fragmentation at the metropolitan scale is a drag on productivity growth (Ahrend, Farchy et al. 2014).
Wider research on strategic planning frameworks internationally and in Australia highlights tensions in promoting economic growth while sustaining affordable housing, particularly risks around displacement or rent burdens for lower-income earners (Zuk, Bierbaum et al. 2018; Atkinson and Easthope 2009; Gurran 2008; Freeman and Schuetz 2017). In their analysis of governmental efforts to preserve affordable housing amid rising markets in the US, Freeman and Schuetz (2017) found that inclusionary zoning schemes, while widely adopted, have been insufficient to mitigate higher housing costs. They argue that stronger political intervention and increased subsidy is needed to ensure that a sufficient supply of affordable housing units is sustained in ‘high opportunity’ neighbourhoods. Similarly, a recent review of research in the US points to the deepening of spatial disadvantage in gentrifying metropolitan centres, with high housing costs operating as a barrier to opportunity and labour market mobility (Acolin and Wachter 2017).

A series of AHURI studies have pointed to the important links between affordable housing and economic productivity in the Australian context (Maclennan, Ong et al. 2015; Gurran, Phibbs et al. 2015; Dodson, de Silva et al. 2017). The current study examines this issue in more detail and considers potential strategies for supporting economic productivity while preserving and creating affordable housing opportunities, focussing particularly on existing capital city frameworks and evolving place-based funding interventions.

1.4 Research methods

A combination of qualitative methods was used to address this study’s overall research question: How can strategic spatial planning and funding interventions leverage affordable rental housing choices near employment, enhancing urban productivity?

Three more detailed research questions operationalised the research (summarised in Table 1).

Table 1: Summary of research questions and methods

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<thead>
<tr>
<th>Research question</th>
<th>Method/data</th>
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<td>1 What are the key features of strategic city- or place-based funding approaches and practice used in the UK, Europe and North America in terms of governance, funding, implementation, performance measures and housing? How might these approaches be instructive for Australia?</td>
<td>• Initial desk-based review of international evidence.</td>
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<td>• International informant interviews via telephone/video call and email (n=5).</td>
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<td>• Typology of strategic spatial funding interventions.</td>
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<td>2 To what extent do Australian capital city/regional planning frameworks integrate strategies for housing affordability, transport connectivity and employment growth, including strategies for increasing affordable rental housing supply near employment opportunities and for increasing connectivity/employment opportunities in lower-cost housing markets?</td>
<td>• Analysis of capital city planning frameworks.</td>
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<td></td>
<td>• Semi-structured face-to-face and telephone interviews with key local and state government planners and development officers (n=20).</td>
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<td>3 Where are the housing supply and job opportunity mismatches for low-income (Q2) households in Sydney, Melbourne and the satellite cities of Wollongong and Geelong? What are the potential strategies to support more balanced housing supply and employment growth in those areas?</td>
<td>• Spatial analysis of rental housing/jobs in Sydney, Melbourne, Wollongong and Geelong, drawing on findings of Inquiry Research Projects A and B (on the availability of rental housing affordable to Q2 households and the geography of employment opportunities).</td>
</tr>
<tr>
<td></td>
<td>• Analysis of policy, interview and spatial data.</td>
</tr>
</tbody>
</table>

Source: The authors.
The first stage of this study addressed research question 1, through an international evidence review of strategic place-based funding approaches or 'deals' and practice in the UK, Europe and North America. Initially, the evidence review identified key features of strategic spatial investments in these contexts.

To understand the potential scope for these place-based funding approaches to support accessibility between jobs and affordable housing, we sought to determine: the primary objective of strategic funding interventions; the funding source or lever (e.g. government grant; public/private partnership; value capture or ‘self-funding’ arrangement); governance and implementation arrangements; tools and criteria used for making infrastructure investment decisions; and performance measures. Housing objectives and outcomes were a key focus of this analysis, and a typology of strategic spatial funding interventions was defined.

Secondly, addressing research question 2, we reviewed Australian capital city strategic planning frameworks, focussing on spatial relationships between employment and housing growth within the overarching national policy umbrella of the Smart Cities Plan (Department of the Prime Minister and Cabinet 2016). This informed a more detailed review of strategic planning and funding interventions in the four case study areas, which comprised two metropolitan cities and two satellite cities: Sydney (with a focus on the Western Sydney City Deal) and the satellite city of Wollongong; and Melbourne and the satellite city of Geelong (specifically the Geelong City Deal). The case study areas were selected due to the economic significance of Sydney and Melbourne and the ongoing barriers to affordable rental housing provision in accessible locations within these regions (NHSC 2014; DITCRD 2015).

Satellite cities are located in close proximity to metropolitan areas, and have economic and transport connections but remain physically separate. They are governed independently and have discrete local economies, labour markets and housing markets. Relative to metropolitan regions, satellite cities typically offer more affordable rental housing; however, this is offset by lower job accessibility due to weaker local employment opportunities and high commuting time to metropolitan centres. In this study, we investigated the potential role of satellite cities Wollongong and Geelong in offering more affordable housing choices and in diversifying employment opportunities beyond metropolitan areas.

We conducted 18 semi-structured interviews (face-to-face and by telephone) between December 2018 and April 2019 in Australia with 20 key city planning, infrastructure, and economic development informants, with state and/or capital city and regional planning experience and expertise (listed in Appendix 1). Informants were identified through a combination of government website review and snowballing from prior informants. Interviewees included Local Government Area (LGA) officers in four of the eight constituent LGAs of the Western Sydney City Deal, and three officers of the City of Greater Geelong (involved with the Geelong City Deal). Interviews were recorded and transcribed for thematic analysis in relation to the overarching research questions, with additional themes iterated with emergent findings.

We also conducted semi-structured interviews via video call with five expert international informants (listed in Appendix 2) to supplement the documentary evidence review. These key academic and practitioner experts helped us to update, refine and interrogate the strategic spatial investments we examined in the first phase of the research. The academic experts, identified via literature review, facilitated introductions to practitioners. Our analysis of the interviews informed the development of shared themes and critiques, while highlighting scope for improvement and lessons for Australia.

Thirdly, we undertook spatial analysis of the location of affordable rental housing relative to the location of employment in Sydney and Melbourne, to inform policy options for leveraging new affordable rental housing near employment (addressing research question 3).
This aspect of the study was informed by data on rental housing affordability for Q2 households, (from Inquiry Research Project A) and the commuting patterns of Q2 workers (from Inquiry Research Project B). Data on 2016 median rents—at the postcode level for Sydney and at the suburb level for Melbourne—were used to classify local areas as affordable, marginally unaffordable, or severely unaffordable for Q2 households. Rents for two-bedroom properties were used for the analysis, as two-bedroom properties are appropriate for a broad range of household types, including households with children. Areas were deemed to be affordable if the median rent was at or below $355 per week (identified as affordable for Q2 households in Inquiry Research Project A). Areas were deemed to be marginally unaffordable if the median rent was up to 20 per cent above the affordable rent (i.e. up to $445 per week). Areas with median rents above $445 were deemed to be unaffordable. This distinction was made in order to identify locations where even minor interventions to enhance the affordability of market-rate housing could improve affordability for Q2 households.

Rental bond data for Sydney postcode areas was sourced from NSW Fair Trading, which provides data on weekly rents for individual new bonds, by date and dwelling size (number of bedrooms). This data was used to calculate 2016 median weekly rents for two-bedroom properties in Greater Sydney postcode areas. Median weekly rents for Melbourne suburbs were derived from Government of Victoria rental reports, which provide median rents by property type and size for each financial quarter. Data for the 2016 June quarter was selected, ensuring comparability with Census data and analysis undertaken for Inquiry Research Project A.

The rental affordability of different suburbs/postcode areas for Q2 households was analysed spatially using a geographic information system (ArcGIS). The affordability maps were overlaid with the rail network, using shape files derived from OpenStreetMap (www.openstreetmap.org). This allowed us to examine the proximity of affordable and unaffordable localities relative to major public transport routes. Additional maps were created showing the density of jobs across the two metropolitan regions, based on 2016 Census data on the count of employees by Statistical Area Level 2 (SA2) (and derived using Census Tablebuilder). These maps, showing employment clusters, provided a basis for identifying where maximum productivity gains would be likely to arise as a result of increases in affordable housing supply.
2 International evidence: place-based deals as strategic funding interventions

- In relation to place-based deals, ‘one size does not fit all’. There is, instead, a need for tailored approaches that are responsive to local needs, combining ‘vertical’ governance models that break down governmental silos with ‘horizontal’ models that engage local stakeholders.

- UK City Deals, which aim to deliver strategically integrated infrastructure and economic development, have been particularly influential in the Australian context. Three other international approaches that have sought to address problems of spatially uneven housing and employment growth, and which offer potential lessons for Australia, are: France’s Contrats de Développement Territorial (CDTs), Canada’s Urban Development Agreements (UDAs), and the US’s Community Development Block Grants (CDBGs).

- International lessons for Australia include: the need to ensure that urban improvements benefit disadvantaged groups; the need to ensure that overall housing supply objectives are supported by measures to deliver affordable outcomes; the importance of robust and transparent governance arrangements; and the importance of clear frameworks for monitoring and measuring performance.

2.1 The framework for place-based metropolitan economic strategies

Against an international backdrop of decentralisation and multilevel governance, place-based deals are being deployed to help improve planning and policy coordination across different tiers of government. These deals are essentially intergovernmental contracts, typically between higher (central or state) and lower (state and/or local/municipality) levels of government. Place-based deals also provide a means for engaging non-governmental agencies and organisations in forms of horizontal coordination. Thus, the potential of deal-making is to bring together separate powers, responsibilities, funds, programs and expertise into a cohesive ‘package’ that is designed to reflect place-based conditions and priorities.

A report prepared to inform the European Commission’s regional policy highlights the economic rationale of place-based development policy.

_In the international debate on growth strategies and public governance, there has been a growing recognition that ‘one size does not fit all’. Economic institutions need to be designed and shaped, on the basis of general principles, to suit the local context and to embody local knowledge (Barca 2009: 25)._)

The report defined place-based development policy as:

- a long-term development strategy whose objective is to reduce persistent inefficiency (underutilisation of the full potential) and inequality (share of people below a given standard of well-being and/or extent of interpersonal disparities) in specific places
through the production of bundles of integrated, place-tailored public goods and services, designed and implemented by eliciting and aggregating local preferences and knowledge through participatory political institutions, and by establishing linkages with other places

promoted from outside the place by a system of multilevel governance where grants subject to conditionalities on both objectives and institutions are transferred from higher to lower levels of government (Barca 2009: 5).

Deals come in a range of different forms, which can be guided by incentives and conditions, and which involve negotiating additional powers, flexibilities and resources to facilitate economic growth and development. While the policy context varies by country, common imperatives relate to addressing socio-spatial variations in the location and benefits of economic growth. In practice, there are major obstacles to delivering place-based policy, including knowledge deficiencies at higher levels of government and difficulties in agreeing to actionable priorities across subnational terrains (Barca 2009).

Place-based deals are also being utilised to strengthen alignment and foster horizontal coordination between government and non-governmental agencies and organisations. Collectively, these processes and facets of deals are guided by a desire to:

- reflect spatial particularity whilst maintaining consistency with higher-level strategic plans and policies
- encourage local initiatives and creativity
- develop the capacities of actors and institutions
- establish clear links between budgetary mechanisms, policies and initiatives alongside clear lines of responsibility
- promote cross-sectoral policy coordination and implementation.

2.2 International evidence

This project reviewed several international place-based intervention models that have sought to address problems of spatially uneven housing and employment growth. These models include three ‘deals’ and two US-based grant programs. The focus is on the UK City Deals given their rapid policy transfer to Australia (Peck and Theodore 2015). The international models reviewed are as follows.

- France’s Contrats de Développement Territorial (CDTs) (Gallez 2014), which set targets for housing construction and economic development in proximity to new public transit.
- Canada’s Urban Development Agreements (UDAs) (Doberstein 2011), which operated across three levels of government to address issues including affordable housing and economic development. The agreements commenced in the 1980s and were discontinued in 2010.
- The US’s federal Community Development Block Grants (CDBGs) (Rohe and Galster 2014; Galster 2017), which seek to address housing and place-based disadvantage through local economic development.
- The Sustainable Communities Regional Planning Grant Program (SCRPGP), which integrated social equity criteria with a competitive funding program for infrastructure (Gough and Reece 2017). The US scheme ran from 2011–12.
- The UK’s City Deals, which seek to deliver strategically integrated infrastructure (including housing) and economic development (Martin, Pike et al. 2016; O’Brien and Pike 2015).
These models are summarised in Table 2 and considered in turn in the sections below. The models address housing objectives in different ways, with the UK and French models focussing primarily on the provision of new supply (although within the context of strong national policies for affordable housing to be included in new development). In the US and Canada, housing is often addressed as part of wider regeneration strategies and preserving existing sources of low-cost accommodation is often a priority.

### Table 2: Comparing international place-based deals

<table>
<thead>
<tr>
<th></th>
<th>UK City Deals</th>
<th>France CDTs</th>
<th>Canada UDAs</th>
<th>US CDBGs</th>
<th>US SCRPGP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Role of housing</strong></td>
<td>Varies significantly—housing 'on the menu' for some</td>
<td>Objective to build significant housing near new metro stations</td>
<td>Varied—but regeneration without displacement is a goal</td>
<td>One of multiple objectives; focus is on rehabilitation as well as new supply</td>
<td>Focus is on ensuring housing is planned sustainably and with strong transit and active walking connections</td>
</tr>
<tr>
<td><strong>Role of affordable housing</strong></td>
<td>Concrete strategies lacking; housing packages announced for some in 2018</td>
<td>Under national law 25% of new housing must be social housing</td>
<td>Varied - preserving low-cost housing and providing new single-room occupancy units was integral to the Vancouver UDA.</td>
<td>Critical as funds must benefit those on lower incomes</td>
<td>Equity was a core objective of the program, with guidelines requiring affordable housing planning</td>
</tr>
<tr>
<td><strong>Levels of government involved</strong></td>
<td>Central government and combined authorities of local governments, some with elected mayor</td>
<td>Communes and central government; the region (e.g. Ile-de-France) sets the CDT boundaries, which can be amended by the communes</td>
<td>Federal, provincial, local</td>
<td>Most grants are awarded by federal government (HUD) to local government; some grants administered by states</td>
<td>Joint grant administered by federal departments (HUD, EPA and DOT), awarded to local government</td>
</tr>
<tr>
<td><strong>Local government power</strong></td>
<td>Devolution of certain powers, complicated by austerity measures</td>
<td>No change</td>
<td>No change</td>
<td>No change</td>
<td>No change—seeking to encourage local government regional collaboration</td>
</tr>
<tr>
<td><strong>Total budget</strong></td>
<td>£2 billion (first wave)</td>
<td>Metro cost: €30 billion</td>
<td>Varied—Vancouver Agreement total budget: CAD$28 million</td>
<td>US$3 billion per annum</td>
<td>US$100 million (2010)</td>
</tr>
<tr>
<td><strong>Timeframe</strong></td>
<td>30 years for each City Deal; first-wave deals signed 2012</td>
<td>2010–30 (metro construction period)</td>
<td>5 years+ (discontinued 2010)</td>
<td>Annual allocation since 1974; real-terms budget has diminished significantly over time</td>
<td>2010–11</td>
</tr>
</tbody>
</table>

Source: The authors.
2.3 France: Contrats de Développement Territorial

The CDTs (territorial development contracts), created under the Grand Paris Act (2010), are agreements between central government and communes in the Île-de-France region (Greater Paris). The purpose of these agreements is to encourage housing and business development around metro stations on the under-construction Grand Paris Express, a €30 billion rapid transit megaproject due for completion in 2030. The core aims of the CDTs are to concentrate housing and employment, reduce car dependency and promote sustainable development.

In France, the lowest level of government comprises an extraordinary 36,500 communes (elected municipal councils). These are organised into 100 departments: mid-sized subnational jurisdictions with an average population of 300,000. There are 13 administrative regions (the largest subnational unit), including Île-de-France, which comprises eight departments and has a population of 12 million. Departments and regions have elected councils and, in parallel, a prefect who represents central government (OECD 2007).

The CDTs are intended to help drive the delivery of a targeted 70,000 new housing units each year in the Île-de-France region. Communes with CDTs are expected to make up 35,000 of that annual goal. Social housing must make up 25 per cent of new housing stock according to national law, and therefore it is an integral part of planning for housing within the CDT context.

Despite some tensions between the communes and the state regarding funding of urban amenities to support new housing, and over the level of social housing inclusion (with some communes wanting to deliver less and others more), CDTs have proved effective in unifying priorities between central and local governments. Whilst the communes were initially sceptical about the state-led CDTs, they have joined the process to influence the outcomes.

Gallez (2014) posits three reasons for communes’ engagement with CDTs: to regain some control over spatial planning; to secure state support for associated projects (such as bus rapid transit); and to gain access to future funding streams. Thus, the French model shows the potential for central–local strategic place-based funding to drive wider planning outcomes and reform.

2.4 Canada: Urban Development Agreements

UDAs were used in Canada from the 1980s to 2010 to coordinate funding across three levels of government. Despite being discontinued in 2010 following a change of government, they represent an important model for integrated place-based funding intervention.

The UDA model sought to resolve challenges beyond the capabilities of Canada’s local government by providing ‘a new federal policy pathway’ enabling a flexible federal approach driven by local priorities (Layne 2000). The agreements targeted housing, health, crime and social exclusion issues in deprived urban neighbourhoods (Bradford 2008) and were implemented in five Western Canadian cities: Vancouver, Edmonton, Regina, Saskatoon, and Winnipeg.

The UDAs rejected a one-size-fits-all approach, with each city’s agreement differing significantly in terms of needs and size. Their horizontal governance model was seen as a solution to silo-based governance that had produced poor outcomes in the past, and included deep collaboration with non-state actors such as community groups and businesses.
A key example of the UDA model is the Vancouver Agreement. Involving the City of Vancouver, the province of British Columbia and the federal government, the initial five-year agreement began in 2000 and was extended in 2005 before lapsing in 2010. Three levels of political administration were established: a policy committee made up of federal and provincial government ministers and the mayor (decisions required unanimity); a management committee including senior public servants from each level of government (operating under a consensus decision-making model); and task teams (addressing issues ranging from drug addiction to training and employment) that included community and business groups and representatives from the three levels of government (Vancouver Agreement c.2009a). The total budget was CAD$28 million, with 67 per cent from the province, 28 per cent from federal government and 5 per cent contributed from a Bell Canada grant (Vancouver Agreement c.2009b). The City of Vancouver provided in-kind support, such as office space, development compensation, and administration and financial management services.

The Vancouver Agreement focussed on the Downtown Eastside neighbourhood, which had high rates of crime, drug use and poverty, and poor infrastructure (Doberstein 2011). The agreement was structured in relation to initiatives addressing economic revitalisation, safety and security, housing and health, and quality of life. A key policy plank was the conversion of run-down accommodation into affordable housing units (Vancouver Agreement c.2009c). The Vancouver Agreement's largest investment was a $2.7 million contribution to Kindred Place, a CAD$17.5 million project to provide 87 affordable housing units to single low-income individuals (Province of British Columbia 2007).

The Vancouver Agreement won international awards for its pioneering governance model (Canadian Government 2010) and its attempts to achieve deep community collaboration involving non-state stakeholders (Christopher and Graham 2009). However, there was criticism over the initial lack of dedicated funding (resolved in 2003) and the small scope of the project (Graham 2009).

The UDAs offer an example of the strengths and weaknesses of place-based deals. Bringing different levels of government together with community and business offers a powerful opportunity to drive economic and social outcomes. However, sufficient funding is required to deliver on promises to benefit lower-income groups, while a longer time frame and wider political commitment is needed to deliver lasting outcomes at scale.

2.5 US: Community Development Block Grants and the Sustainable Communities Regional Planning Grant Program

This section considers two place-based grants programs from the US: the CDBG scheme and the SCRPGP.

2.5.1 Community Development Block Grants

The CDBG scheme was established in 1974 and is disbursed annually to communities by the federal government to eradicate disadvantage (Theodos, Stacy et al. 2017). Its administering agency, the Department of Housing and Urban Development (HUD), explains that the program ‘works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses’ (HUD 2019). The program changed the model for federal funding from one that dictated how localities spent funds to one where localities had discretion as long as certain guidelines were met, resulting in significant devolution of decision-making to local government (Rich 2014). After 40 years, the program has changed little and despite repeated attempts to close it down, such as by the Bush administration in 2006 (stifled by local government opposition), it remains the core federal tool to fund urban policy (Rohe and Galster 2014).
A key focus of the CDBG scheme is benefits for low-income earners. At least 70 per cent of each CDBG grant must fund benefits for people on low to moderate incomes (defined as below 80 per cent of the median income of the local area) (HUD 2001). This CDBG requirement gives broad scope for funds to be spent on a wide range of interventions, as long as they meet the program’s three objectives: benefiting low-income people; preventing urban blight; and addressing urgent needs (Rohe and Galster 2014). The scheme’s grants are split between two categories: ‘non-entitled’ and ‘entitled’ communities. Entitled communities are metropolitan statistical areas with a population of at least 50,000, or urban counties with a population of 200,000 or more (HUD 2019). Smaller, non-entitled communities are awarded CDBG grants through their state government. Given the scheme’s flexibility, CDBGs have resulted in thousands of mostly small projects.

The CDBG scheme is the nineteenth-largest domestic grant program in the US. Its annual funding in nominal terms has remained at roughly US$3 billion, meaning a stark real-terms decline of more than 80 per cent (in 2016 dollars, from US$15 billion in 1979 to US$3 billion in 2016) (Theodos, Stacy et al. 2017). Further, the number of CDBG entitled communities increased by 86 per cent between 1980 and 2015, resulting in an average 85 per cent decrease in each grant amount over that time period (Theodos, Stacy et al. 2017). CDBG housing investments (Galster, Walker et al. 2004) can be categorised as contributing to direct improvements (such as renovating housing stock) or indirect improvements (by investing in projects that encourage private investment).

Housing is a key component of the CDBG scheme. In the 1980s, about 40 per cent of the CDBG budget was spent on housing (Orlebeke and Weicher 2014). However, in the 2017 fiscal year, this had dropped to around 25 per cent, while the largest expenditure (over a third) was allocated to public infrastructure (HUD 2017).

Overall, it is difficult to evaluate CDBG outcomes because the program’s broad scope makes benchmarking problematic. Furthermore, the evaluation that does occur relies on self-reporting by local governments. According to one review, between 2005 and 2013 the program assisted 1.1 million people to improve their houses, created or retained 330,546 jobs, and provided public services to over 105 million people (Theodos, Stacy et al. 2017).

### 2.5.2 The Sustainable Communities Regional Planning Grant Program

A shorter-term grant program, the SCRPGP was established in 2009 under the Partnership for Sustainable Communities scheme as part of the US Government’s stimulus package following the Global Financial Crisis. An initiative of three federal departments—HUD, the Department of Transportation (DOT) and the Environmental Protection Agency (EPA)—it focussed on partnerships that could implement six ‘livability principles’. These comprised: transportation choices; promoting equitable affordable housing; enhancing economic competitiveness; supporting existing communities; coordinating policies and leveraging investment; and valuing communities and neighbourhoods (HUD n.d.). The focus on partnerships was to prevent the siloing of housing, transportation and environmental policy.

The core initiative of the partnerships scheme was the US$100 million SCRPGP, which aimed to ‘integrate affordable housing with neighbouring retail and business development’ (Obama White House n.d.). The grants assisted development of three-year regional plans that addressed the interdependent challenges of economic prosperity, social equity and environmental protection. Economically distressed communities were prioritised for funding and 74 regions were awarded grants, 45 in the 2010 fiscal year and 29 in 2011 (Gough and Reece 2017). The average grant in 2010 was US$2.1 million (Rouse 2011).
Affordable housing was a key criterion for HUD, and regions had to include strategies for affordable housing in their plans in order to be eligible for funding. Seattle’s plan addressed displacement and increased staff to develop affordable housing. It also included detailed funding arrangements (such as tax increment financing alternatives) to implement affordable housing strategies (Zapata and Bates 2017). However, a review (Zapata and Bates 2017) of the SCRPGP found that many of the grantees did not comprehensively address affordable housing and the proposals contained few concrete plans to target low-income earners (such as inclusionary zoning).

Nevertheless, the SCRPGP was regarded as successful in promoting sustainability in regional American planning, increasing intergovernmental collaboration, and encouraging public engagement (Gough and Reece 2017). At the regional level, the program led to significant ‘desiloing’, connecting federal, state/regional and local levels of government and agencies (Pendall, Rosenbloom et al. 2013).

### 2.5.3 Summary and lessons for Australia

Both the CDBG and SCRPG programs offer lessons for Australia, in terms of the potential for federal funding to drive local planning and outcomes. Other important lessons arising from both schemes include the benefit of focusing on area-based disadvantage as a target for intervention, and the need to recognise that infrastructure funding may drive gentrification and displacement. Finally, the US experience shows that even with a focus on equity outcomes in funding grant criteria, affordable housing objectives need to be translated into clear mechanisms for delivery in order for these objectives to be delivered in practice.

### 2.6 Place-based deals

City Deals have emerged in the UK within a larger process of decentralisation and fiscal austerity by which the UK government is devolving responsibilities to the local level. The deals are instruments for enhancing coordination between and across levels of government through the use of incentives (such as new powers and funds) and conditions (with funds linked to growth targets and governance reforms), and have involved the creation of new governance across these arrangements. These include combined authorities, metropolitan mayors, and partnerships between local authorities and businesses (Pike, Kempton et al. 2016).

The range of place-based deals in the UK is summarised in Table 3. There has been a focus on infrastructure funding and integrative governance arrangements (O’Brien and Pike 2018). It is important to note that many of these deals and strategic funding mechanisms tend to be combined on the ground to form packages of funding and commitments. Experts interviewed for this research described this bundling of different place-based deals as a ‘progression’, forming part of a ‘wider narrative’ of devolution. For example, Greater Manchester has a City Deal, a Growth Deal and a Devolution Deal. The ‘Manchester model’ is examined further (in Appendix 3) due to its influence in Australia.
# Table 3: Place-based deals and strategic funding mechanisms in the UK

<table>
<thead>
<tr>
<th>Deal</th>
<th>Operation</th>
<th>Key features</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Deals</td>
<td>Three ‘waves’ since 2012; initially England, extending to Scotland, Wales and Northern Ireland</td>
<td>Agreements between central government, groupings of local governments, enterprise partnerships and others to promote economic growth. Include funding packages and devolution of certain decision-making powers.</td>
</tr>
<tr>
<td>Growth Deals</td>
<td>Three funding rounds: 2014 (£10 billion); 2015 (£1 billion); funding for Northern Powerhouse (2017)</td>
<td>Fund enterprise partnerships for projects benefiting local areas and economies. All cities with City Deals also have Growth Deals.</td>
</tr>
<tr>
<td>Enterprise Zones</td>
<td>24 zones established since 2012</td>
<td>Sites within local enterprise partnership areas where businesses receive incentives to start up or expand, including: simplified planning, a discount on business rates, and government support to access superfast broadband.</td>
</tr>
<tr>
<td>Growing Places Fund</td>
<td>£730 million to local enterprise partnerships in 2012</td>
<td>Revolving investment funds (mostly providing loans) for short-term infrastructure projects and to support local economic growth.</td>
</tr>
<tr>
<td>Regional Growth Fund</td>
<td>Six funding rounds totalling £3.2 billion, 2011-17</td>
<td>Competitive fund open to businesses, local enterprise partnerships (and local authorities in rounds 1-4) to encourage private sector enterprise and leverage private sector investment.</td>
</tr>
<tr>
<td>Devolution Deals</td>
<td>Since 2016, have enabled the Secretary of State for Housing, Communities and Local Government to establish an elected mayor for any combined authority area (a ‘metro mayor’).</td>
<td>Deals enable local authority and public authority to be conferred to combined authorities. Housing and planning policy are central themes in these deals.</td>
</tr>
<tr>
<td>Housing Infrastructure Fund</td>
<td>Capital grant program of £4 billion (available between 2018 and 2021)</td>
<td>Offers funding to English local or combined authorities: for new physical infrastructure; to make land available for housing in high-demand areas; to support local authorities who want to step up plans for growth. Enables local authorities to recycle HIF funding for other infrastructure projects.</td>
</tr>
</tbody>
</table>

Source: The authors.

Through City Deals, Growth Deals and Devolution Deals, investment funds (ranging from £450 million to £1.1 billion) provide funding that localities can use with a relatively high degree of flexibility. Each locality is responsible for developing and appraising the projects that the investment fund will support over the deals’ 20–30-year time frames.
2.6.1 City Deals

City Deals were introduced in England in 2012 and have evolved over three phases, summarised in the table below. As shown, City Deals now extend across much of the UK.

Table 4: City Deals in the UK

<table>
<thead>
<tr>
<th>Phase</th>
<th>Deal</th>
<th>Key aims and features</th>
</tr>
</thead>
<tbody>
<tr>
<td>First wave (signed July 2012)</td>
<td>Approx. £2.3 billion over 30 years to largest 8 English cities outside London</td>
<td>Deals aimed to drive local economic growth by unlocking projects or initiatives to strengthen the governance arrangements of each city.</td>
</tr>
<tr>
<td>Second wave (signed 2013–2014)</td>
<td>Included the next 14 largest English cities plus the 6 English cities with the highest population growth during the 2000s</td>
<td>Incorporates a core package of powers to address common governance problems and a bespoke element tailored to each city.</td>
</tr>
<tr>
<td>Third Wave (2015–)</td>
<td>Includes Scottish, Welsh and Northern Irish cities (Glasgow, Edinburgh, the Clyde Valley, Aberdeen, Inverness, Cardiff and Belfast)</td>
<td>A tripartite agreement between UK central government in London, the devolved (Scottish, Welsh and Northern Irish) governments, and groupings of local governments (of relevance to Australia’s three-tier governmental structure).</td>
</tr>
</tbody>
</table>

Source: The authors.

Funding arrangements for City Deals comprise three elements:

- baseline funding from a central funding pool
- ‘earn back’ funding generated from City Deal implementation, providing the basis for a sustainable revenue stream for reinvestment
- ‘self-help’ funding, wherein groupings of local government can decide to capture funds through revenues, tolls, tax increment finance, levies, developer contributions, and dedicated local taxes.

First-wave City Deals did not benefit from additional capacity funding for local governments, but this was rectified in subsequent waves.

A key government rationale behind these devolutionary reforms (and place-based deals) is that locally run programs (with decentralised risk and responsibilities) will increase economic growth, generate higher tax revenues and reduce welfare expenditures (Waite, McGregor et al. 2017). Expert interviewees for this study positioned City Deals as part of a broader suite or progression of deals being rolled out in a context of austerity as well as uncertainty regarding the outcome of Brexit. This environment has heightened the subnational economic development agenda and buoyed attempts to use devolution as a tool to redress spatial imbalances. Respondents described deals as a preferred means by which central government funds ‘are being doled out’. Thus, experts stressed that the progression of different place-based deals forms part of a wider narrative of devolution.
2.6.2 Housing and affordable housing in City Deals

The importance of housing and affordable housing varies substantially between City Deals. Housing is a ‘special’ rather than ‘main menu’ option (Sandford 2018). Deals with notable housing content are summarised here.

- The Birmingham City Deal (and related Growth Deal and Devolution Deal) includes redevelopment of public land for housing; finance to support development of affordable homes; central government funding support for a mayoral housing delivery team; and a key worker housing initiative.
- The Manchester City Deal (and related Growth Deal and Devolution Deal) includes a £300 million Housing Investment Fund; £50 million for a Land Fund to help local governments prepare brownfield land for housing development; and £8 million in capacity funding to boost support for housing delivery across the region.
- The Bristol City Deal (and related Devolution Deal) includes commitments for the authority to work with central government to enable a strategic approach for five-year housing supply.
- The Newcastle City Deal includes a joint investment plan with the Homes and Communities Agency (using Newcastle’s £25 million Future Homes fund); plus (via the related Devolution Deal) establishment of a housing and land board, and mayoral development corporation.
- The Liverpool City Deal (and related Devolution Deal) precipitates the establishment of a mayoral development commission plus a land commission.
- In Scotland, Edinburgh’s City Deal addresses housing, including £65 million to unlock strategic development sites; a 10-year affordable housing program; and establishment of a regional housing company to provide mid-market homes.

Thus, a range of diverse and significant housing initiatives, often involving major funding commitments, are being pursued via many of the City Deals in the UK.

2.6.3 Potential lessons for Australia

Pike, Kempton et al. (2016) explain that ‘deal-making’ has emerged as the preferred method of formulating public policy and allocating resources in the UK context. As the process has developed with each new round of deal-making, common elements have emerged alongside more bespoke aspects. However, there has been criticism that some deals are unable to address the depth of disadvantage in low-growth regions; that local financial constraints remain; and that piecemeal, ad hoc and informal processes of deal-making may compromise accountability. Characteristics of UK place-based deals are summarised in Table 5.
### Table 5: Characteristics of place-based deals in the UK

<table>
<thead>
<tr>
<th>Elements</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Deal-based bilateral agreements with a range of intermediate tiers—Greater London Authority and the Greater Manchester Combined Authority (GMCA) are the most advanced</td>
<td></td>
</tr>
<tr>
<td>• Mixture of agenda items around a core menu</td>
<td></td>
</tr>
<tr>
<td>• Major ‘burden-shifting’ debates as ‘nation-state’ shrinks</td>
<td></td>
</tr>
<tr>
<td>• Metro mayors for combined authorities</td>
<td></td>
</tr>
<tr>
<td>• Modest rebalancing agenda towards various pan/subregional configurations (e.g. Northern Powerhouse)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rationales/principles</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mix of rationales and geographies—broadly, local growth and public services reform driven—with a presumption of fiscal neutrality and/or reductions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deals and deal-making</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Competitive, bilateral deals form the major channel for negotiating and delivering enhanced decentralisation</td>
<td></td>
</tr>
<tr>
<td>• Difficulties of recovery in disadvantaged/excluded/low-growth areas</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Largely driven by dividing up national departmental funding pots in new ways</td>
<td></td>
</tr>
<tr>
<td>• Major challenge of enabling local retention of business rates, and local flexibilities for council tax and borrowing</td>
<td></td>
</tr>
<tr>
<td>• Modest opportunities for fiscal innovation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accountability</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Directly elected metro mayors in selected locations</td>
<td></td>
</tr>
<tr>
<td>• More indirectly elected intermediate-tier propositions elsewhere raise legitimacy concerns</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Implications</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Difficult to lead and manage effectively given resource constraints</td>
<td></td>
</tr>
<tr>
<td>• Difficult to stimulate learning given quasi-competitive character</td>
<td></td>
</tr>
<tr>
<td>• Challenge to coherent, viable whole—piecemeal and ad hoc</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Pike, Kempton et al. (2016: 28).

Interviewees emphasised that bespoke deals are not a strategic planning instrument. Strategic planning is a part of the broader framework for growth in terms of employment and housing land designation within city-region (metropolitan) plans. In fact, experts suggested that the emergence of City Deals has coincided with a downgrading of strategic planning, with one person commenting that ‘spatial plans (now) serve as infrastructure plans’, diluting the power of local planners and plans.

Similarly, whilst the governance arrangements for City Deals in the devolved administrations of Scotland and Wales were praised by some experts, the alignment of place-based deals with strategic plans was also readily critiqued. One expert explained that though Scotland has a national spatial planning document, expenditure is driven by City Deals. Another commented on the lack of wider spatial planning in relation to the Cardiff City Deal; a deal which is predicated on and dominated by a major infrastructure project (South Wales Metro).

However, interviewees agreed that ‘deals are making localities think differently’. Place-based deals were described as increasing and improving the nature of relations between central and local governments; as well as getting local actors to work together, which has led to more strategic thinking. Deals were described as ‘logjam breakers’ that enable central government to deal with local authorities and push for reform for local authorities to ‘speed up and streamline’.
A National Audit Office (NAO) report emphasised the need for common metrics over the long term to accurately monitor and evaluate the outcomes of City Deals (Morse 2015). UK City Deals are now subject to a five-yearly ‘gateway review’ before subsequent funding tranches will be released.

2.7 A typology of place-based funding deals, and implications for Australia

Drawing on the international evidence review, Table 6 (below) summarises a typology of place-based deals. The typology distinguishes between deals designed to support economic development through infrastructure investments that catalyse growth; deals that aim to address spatial disadvantage by funding community development initiatives; and programs that aim to support significant new housing supply. All of the deals feature multiscale governance arrangements and mixed funding sources.

Table 6: Typology of place-based deals

<table>
<thead>
<tr>
<th>Overall aims</th>
<th>Economic development</th>
<th>Community renewal</th>
<th>Housing supply, affordability and connectivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have particular investment/precinct as catalyst for growth</td>
<td>Reduce place-based disadvantage</td>
<td>Drive new housing supply and affordability around major infrastructure/transport investment</td>
<td></td>
</tr>
<tr>
<td>Housing objectives/levers</td>
<td>Supply targets</td>
<td>Upgrading existing housing/neighbourhoods</td>
<td>Stimulating overall housing supply, with affordable housing inclusion through planning requirements</td>
</tr>
<tr>
<td>Affordable housing considerations</td>
<td>Incentives for affordable rental housing</td>
<td>Preserving affordable housing</td>
<td></td>
</tr>
<tr>
<td>Employment creation/connectivity</td>
<td>Catalysed through new development</td>
<td>Skills/training schemes</td>
<td>Connectivity between new homes and employment opportunities</td>
</tr>
<tr>
<td>Scale</td>
<td>Local/regional/Metropolitan</td>
<td>Local/neighbourhood/precinct</td>
<td>Subregional/local</td>
</tr>
<tr>
<td>Key partners</td>
<td>Federal government, local government, may involve local organisations/firms</td>
<td>Local government, planning and housing agencies</td>
<td>National/state, transport/infrastructure agencies, local governments</td>
</tr>
<tr>
<td>Finance/funding</td>
<td>National/central government funding</td>
<td>National/central government</td>
<td>Mixed—central investment funding and local sources</td>
</tr>
<tr>
<td>Performance measures</td>
<td>Employment growth; proportion of jobs within a 30-minute radius; rental affordability metrics</td>
<td>Unemployment and workforce participation; rental affordability metrics</td>
<td>Housing completions, affordable housing units, rental and purchase affordability metrics</td>
</tr>
<tr>
<td>Examples</td>
<td>UK’s City Deals and Growth Deals</td>
<td>US’s CDBGs; Canada’s UDAs</td>
<td>France’s CDTs</td>
</tr>
</tbody>
</table>

Source: The authors.
As shown in Table 6, rental affordability is an identified performance measure for all of the models. In implementation, it is important to specify particular strategies to include affordable housing in new development, relative to particular market contexts.

2.7.1 Summary and lessons for Australia

A number of policy lessons can be drawn from the preceding analysis of international experiences of place-based deals. Criticism has been levelled in relation to: the extent to which urban improvements benefit disadvantaged groups; the targeting of housing-relevant projects such that they focus on affordable housing outcomes; the transparency of governance arrangements; and the frameworks for monitoring and measuring performance. In the case of the UK, a note of caution is required, as any comprehensive evaluation of the long-term impacts of place-based deals is lacking given their relatively recent introduction. Scholarship to date emphasises that place-based deals promote economic development within a reduced public-sector funding environment whereby devolutionary measures are seen to shift responsibilities to local government (O'Brien and Pike 2018). Specific rationales for engaging in place-based deal-making will vary by country and government level.

Drawing on these international experiences, the following lessons for Australia can be identified.

- Deals need to consider the benefits and outcomes for disadvantaged groups as an explicit focus, in order to meet objectives for inclusive growth. There is also a need to consider the potential impact of transport or other major infrastructure investments on housing markets and the potential displacement of low-income renters.

- To the extent that housing is incorporated in place-based deals, it should be noted that an emphasis on overall housing supply targets does not translate into improved outcomes for low-income renters.

- A long time frame is needed to establish governance arrangements that align with strategic planning.

- Local government will often need dedicated funding and resources for capacity-building during the negotiation and implementation of deals.

- The primary objectives of deals need to be made explicit, and governance arrangements should be robust and transparent. Clear frameworks for monitoring and measuring performance are needed.
3 Australian strategic planning and policy frameworks, and funding interventions

- Australia’s capital city planning frameworks emphasise employment and housing connectivity, but largely fail to include specific levers for affordable rental housing.

- Place-based deals, such as Australia’s emerging City Deal model, offer unique opportunities for catalysing new employment and housing development, but affordability considerations remain largely absent.

- Planning and other policy mechanisms, leveraged by new investment or development opportunities, can preserve existing affordability and create new affordable rental housing in accessible locations of Sydney and Melbourne, targeting the needs of Q2 households.

- Satellite cities such as Wollongong and Geelong, near metropolitan employment centres like Sydney and Melbourne, can play an important role in providing affordable rental housing for Q2 workers and in attracting firms wishing to relocate from higher-cost locations.

- Strategies for connectivity should support new and skilled employment opportunities within satellite cities, and aim to service new housing areas with high-quality public transport options to ensure that Q2 renter households are not forced to commute long distances.

3.1 National policy frameworks and funding interventions

This section of the report reviews national policy frameworks for cities and regions. The Commonwealth Government has no formal role in relation to spatial planning but is increasingly seeking to influence urban and regional outcomes through policy leadership, coordination, special-purpose funding, and by measuring city performance. This evolving national policy framework for Australia’s cities and regions is summarised in Table 7.
Table 7: National policy frameworks for cities and regions

<table>
<thead>
<tr>
<th>Policy/framework</th>
<th>Description and key features</th>
</tr>
</thead>
</table>
| Smart Cities Plan (Department of the Prime Minister and Cabinet 2016) | • Aims to advance Australia’s knowledge economy through strategic planning and investment in cities and urban infrastructure, focussing on the notion of 30-minute cities (where homes, jobs and services are within a 30-minute radius).  
• Provides a framework for City Deals as a vehicle for regulatory/policy reform, around planning, affordable housing, and tenure.  
• Rental housing is not explicitly addressed. |
| Planning for Australia’s Future Population (Department of the Prime Minister and Cabinet 2019) | • Describes a national framework for responding to population growth and change, including Commonwealth programs/funding support.  
• Presents the Commonwealth’s role in supporting connectivity through City Deals. |
| National Cities Performance Framework (DITCRD 2019a) | • Uses dashboard-style indicators of city performance to rate key priorities in the Smart Cities Plan for Australia’s 22 largest cities.  
• Includes indicators for: gross regional productivity and employment; job accessibility/commute times; proportion of workers in knowledge industries; levels of rent stress; as well as more general housing and affordability measures (e.g. dwelling approvals per 1,000 people). |

Source: The authors.

As shown, Australia’s Smart Cities Plan promotes the notion of a ‘30-minute city’, where employment opportunities and services are able to be accessed within 30 minutes of home (Department of the Prime Minister and Cabinet 2016). The Smart Cities Plan seeks to progress this outcome by: coordinating governance and planning to support employment growth and industry development, including growth of the digital economy; investing in infrastructure and transport to connect jobs, services and homes; and improving housing supply and affordability.

Within national policy frameworks, City Deals have emerged as primary vehicles for the Commonwealth to fund ‘catalytic infrastructure investments’ while also driving ‘urban governance and land use reform’ (Department of the Prime Minister and Cabinet 2019: 24). City Deals are also nominated as an important mechanism for the Commonwealth to support regions in accommodating population growth and change (Department of the Prime Minister and Cabinet 2019).

Over the course of this project, a number of new City Deals were announced, bringing the total at the end of 2019 to nine: Townsville, Launceston, Darwin, Hobart, Adelaide, Perth, South East Queensland, Western Sydney and Geelong. The Western Sydney and Geelong City Deals are discussed in greater detail below.

The National Cities Performance Framework, including the recently established online ‘dashboard’, provides indicators of city performance including productivity, employment, transport, housing supply and affordability for Australia’s largest 22 cities. Over time, this data should provide a basis for measuring the impact of key initiatives and interventions, such as City Deals, within the context of overall progress towards defined economic, social or environmental objectives, as outlined within local or regional planning strategies.
3.2 Capital city strategic planning frameworks

This section of the report examines how states’ capital city metropolitan regional planning strategies address connectivity between employment and housing growth. Strategic metropolitan plans set out spatial policies for all of Australia’s capital city regions, as summarised in Table 8. These strategies are implemented through local land-use planning instruments that allocate land for business, industry, housing, leisure and environmental purposes, giving regard to transport corridors, existing and planned infrastructure, and environmental or other constraints. In many cases, subregional plans and/or other spatial planning, transport or infrastructure strategies form part of the wider strategic framework for implementation through local land-use controls and decisions.

Overall, Australia’s metropolitan strategies emphasise improving transport connectivity to existing and planned growth areas; providing and protecting employment lands; increasing housing densities near existing employment centres and transport nodes; and encouraging jobs growth in subregional and local centres. Strategies for integrating these various elements are less developed, in part reflecting the limitations of land-use planning, which depends on public or private investment for implementation.
<table>
<thead>
<tr>
<th>City (state/territory)</th>
<th>Strategy</th>
<th>Population growth</th>
<th>Jobs/productivity</th>
<th>Housing target</th>
<th>Affordable housing target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canberra (Australian Capital Territory)</td>
<td>ACT Planning Strategy (2018–2045)</td>
<td>7,000 p.a.—from 402,500 (2016) to 589,000 (2041)</td>
<td>Diversify from public service/defence to commercial services and knowledge-based industries</td>
<td>100,000+ new dwellings over 25 years (4,000 p.a.); 70% within existing urban areas</td>
<td>Not specified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Refers to the ACT Housing Strategy and its aim to diversify housing</td>
</tr>
<tr>
<td>Sydney (NSW)</td>
<td>A Metropolis of Three Cities: Greater Sydney Region Plan (2018)</td>
<td>82,000 p.a.—from 4.7 million (2016) to 8 million (2058)</td>
<td>817,000 jobs, spatially organised across three ‘cities’ and subdistrict centres</td>
<td>725,000 new dwellings over 20 years; allocated to three districts (29% West; 44% East; 27% Central)</td>
<td>5–10% of new residential floorspace (defined prior to rezoning)</td>
</tr>
<tr>
<td>Darwin (Northern Territory)</td>
<td>Darwin Regional Land Use Plan (2015)</td>
<td>2,500 p.a.—from 150,000 (2055) to 250,000 (2065)</td>
<td>Emphasises compactness, mixed-use development and public transport nodes/high-frequency routes</td>
<td>48,000 new dwellings over 40–50 years (1,200 p.a.)</td>
<td>Not specified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Diversifying housing stock and land for residential development is seen to support affordability</td>
</tr>
<tr>
<td>Brisbane (Queensland)</td>
<td>Shaping SEQ: South East Queensland Regional Plan (2017)</td>
<td>75,000 p.a.—from 3.5 million (2017) to 5.3 million (2042)</td>
<td>1 million new jobs</td>
<td>750,000 new dwellings over 25 years (30,000 p.a.); 60% within existing urban areas</td>
<td>Not specified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Aims to diversify housing; increase ‘missing middle’, and refers to ‘affordable living’</td>
</tr>
<tr>
<td>Adelaide (South Australia)</td>
<td>The 30-Year Plan for Greater Adelaide (2010–2040) (2017–18 Update)</td>
<td>18,000 p.a.—from 1.4 million (2016) to 1.97 million (2045)</td>
<td>Spatial strategy focusses on mixed-use activity centres and transit corridors; plans infill housing and diverse housing near existing jobs; recognises travel costs in promoting affordable living; allows low-impact employment near existing housing</td>
<td>248,000 new dwellings over 30 years; 85% in metropolitan Adelaide’s established urban areas</td>
<td>15% affordable housing in all significant new developments</td>
</tr>
<tr>
<td>City (state/territory)</td>
<td>Strategy</td>
<td>Population growth</td>
<td>Jobs/productivity</td>
<td>Housing target</td>
<td>Affordable housing target</td>
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</tr>
<tr>
<td>Hobart (Tasmania)</td>
<td>Capital City Strategic Plan 2015–2025; Southern Tasmania Regional Land Use Strategy 2010–2035</td>
<td>3,000 p.a. (regional)—from 245,000 (2015) to 330,000 (2035)</td>
<td>94,000 jobs; 92% in Greater Hobart, 47% in Hobart City</td>
<td>36,000 new dwellings over 25 years; 74% in Greater Hobart</td>
<td>Not specified</td>
</tr>
<tr>
<td>Melbourne (Victoria)</td>
<td>Plan Melbourne 2017–2050: Metropolitan Planning Strategy (2017)</td>
<td>97,000 p.a.—from 4.5 million (2015) to 7.9 million (2051)</td>
<td>1.5 million new jobs; funding for industry/infrastructure support</td>
<td>1.6 million new dwellings; includes policy direction to deliver more homes closer to jobs and public transport</td>
<td>Not specified</td>
</tr>
<tr>
<td>Perth (Western Australia)</td>
<td>Perth and Peel @ 3.5 million (2018)</td>
<td>46,800 p.a.—from 2 million (2018) to 3.5 million (2050)</td>
<td>Recognises that 64% of jobs are in central region but most new housing on fringe Spatial strategy aims for CBD to be connected to activity centres/specialised centres by public transport/well-serviced road networks</td>
<td>880,000 new dwellings; 47% infill and 53% greenfield</td>
<td>Not specified. Refers to the state's Affordable Housing Strategy 2010–2020</td>
</tr>
</tbody>
</table>

Source: The authors.
In relation to housing, metropolitan plans for each capital city include targets for new housing supply. However, the 30-Year Plan for Greater Adelaide is unique in specifying a target for affordable housing. This target is enabled by the South Australian planning framework, which includes a broad-based inclusionary planning mechanism that requires 15 per cent of homes in significant new developments be offered at an affordable price threshold and made available for eligible households to purchase or rent. The price thresholds are higher for homes in accessible locations where transport costs are lower, or for dwellings that incorporate energy- or water-efficient technologies that reduce living expenses.

Introduced in 2005, South Australia’s inclusionary planning approach has become an important lever for preserving affordability, particularly in new-release greenfield areas and regional areas (Gurran, Gilbert et al. 2018).

As discussed further below, new mechanisms for securing affordable housing through the planning process are foreshadowed in the metropolitan plans for Sydney and Melbourne, where voluntary incentives to encourage developers to provide affordable rental housing already exist but have not resulted in significant output.

In addition to the lack of targets for affordable housing inclusion, indicators and reporting processes for new housing remain coarse, at both metropolitan and city scale, across all of the plans. This makes it difficult to monitor the production of more diverse or affordable housing units, such as boarding houses, student accommodation or secondary dwellings, and their potential contribution to the supply of rental accommodation.

### 3.3 Strategic planning frameworks and City Deals in Sydney, Melbourne, Wollongong and Geelong

The following sections examine in more detail the overarching strategic planning frameworks for the metropolitan areas of Sydney and Melbourne, with particular regard to provisions for connecting employment and housing growth and the ways in which the emerging City Deal model—commenced in Western Sydney in 2018—provide an opportunity for targeted intervention.

The potential role of satellite cities in offering alternative opportunities for employment and housing growth is also considered here. Regional plans for the satellite cities of Wollongong and Geelong focus on amenity and lifestyle assets as attractors for local (often CBD-focussed) economic growth and investment, as well as improving connectivity to Sydney and Melbourne. Therefore, while Wollongong and Geelong will continue to have important connections with Greater Sydney and Melbourne, each city is also pursuing strategies to develop greater self-containment, as they revitalise and diversify their local economies and play important roles within their respective regional settings.

#### 3.3.1 Sydney

Metropolitan planning for Greater Sydney is undertaken by the Greater Sydney Commission (GSC). The commission, established in 2015 to provide strategic coordination and oversight across the many LGAs comprising Greater Sydney, reports to the NSW state government but retains an independent advisory function. It is made up of eight commissioners: the Chief Commissioner; two commissioners with responsibility for economic, social and environment matters; and one commissioner for each of the five Greater Sydney districts (Western City, Central City, Eastern City, North and South).

The Greater Sydney Region Plan (GSC 2018) conceptualises the metropolitan area as three cities—the Western Parkland City, the Central River City and the Eastern Harbour City—with the vision that each city will support its residents to live within 30 minutes of jobs, services and
amenities. In this way, Sydney’s metropolitan strategy echoes the national Smart Cities Plan, and interviewees for this study emphasised the importance of the strategy’s organising principle of creating accessibility and connectivity between homes and jobs within a 30-minute radius.

The strategy is supported by three more detailed (subregional) plans—Western City, Central Sydney and Eastern City—as well as plans for each of the five districts. Increasing productivity across the entire Greater Sydney region is a key objective of the plan, reinforced through planning priorities for jobs growth and connectivity across the three cities and five districts.

In the district plans, five-year (2016–21) housing supply targets are specified for each LGA, within the context of an overall 20-year housing supply target for Sydney set by the commission. Councils are required to propose 6–10 year targets, through the process of developing local housing strategies.

In addition to housing supply targets, the Greater Sydney Region Plan includes Affordable Rental Housing Targets, whereby 5–10 per cent of new residential floorspace should provide for very-low-income (Q1) and low-income (Q2) households. Mechanisms for implementing these targets have not yet been specified. However, in 2019 the NSW Government established a new pathway for implementing affordable housing requirements through local planning instruments (NSW Government 2019), and produced a guideline for councils to help them develop affordable housing contribution schemes (DPIE 2019). Such a mechanism would enable local councils to impose affordable housing requirements through amendments to their planning instruments—for instance, during rezoning, or when height or floorspace controls are varied—enabling significant development ‘uplift’. The mechanism might also apply to areas benefiting from significant investment in new infrastructure or transport, as occurred in relation to the original inclusionary zoning schemes of City West and Green Square (Gurran, Gilbert et al. 2018), although to date these approaches have not been replicated.

A voluntary mechanism already offers a floorspace bonus to developments incorporating affordable rental housing. Under the State Environmental Planning Policy (Affordable Rental Housing) 2008, the affordable units benefiting from the floorspace bonus must be offered to eligible households (i.e. on very low, low or moderate incomes) at a 20 per cent market rent discount. The affordability requirement persists for a minimum of 10 years. It is difficult to estimate the number of affordable units that have been created via this mechanism, as data is not reported (Gurran, Gilbert et al. 2018). However, the approach appears to be gaining traction and offers a pathway for smaller infill projects to include a modest affordable housing outcome without additional government subsidy.

The Greater Sydney planning framework is supported by the State Infrastructure Strategy (Infrastructure NSW 2018) and the Sydney Future Transport 2056 Strategy (Transport for NSW 2018). Importantly, there is close integration between the three strategies, which share common assumptions about population growth, travel demand and infrastructure pipelines. Further, in preparing local housing strategies, councils are directed via the Greater Sydney Region Plan and subsidiary framework to consider transport and infrastructure plans that may support increased housing demand and capacity.

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2 Affordable housing contribution schemes are council-led documents which set out how, where, and at what rate development contributions can be collected by councils for affordable housing (DPIE 2019: 5).
Western Sydney City Deal

The Western Sydney City Deal (WSCD) was signed by the Prime Minister, the NSW Premier, and the mayors of the Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith and Wollondilly councils in March 2018. The deal provides a 20-year framework for coordinating existing and new investment, planning and infrastructure provision across federal and state governments and the eight local councils within the Western Parkland City (as defined by the GSC’s metropolitan strategy).

The 38 commitments listed in the deal focus on ‘a liveable 30-minute city, with infrastructure and facilities that bring residents closer to jobs, services, education and the world’ (DITCRD 2019b: 1). The deal anticipates 200,000 new jobs, largely stimulated by the Western Sydney Aerotropolis, and a series of initiatives around industry investment, agribusiness, science and technology, and higher education are being progressed.

Improved connectivity through public transport investment is a key theme, with the centrepiece being a North South Rail Link (Stage 1, from St Marys to the Aerotropolis, is anticipated to be operational by 2026). The NSW state government has also committed to establishing rapid bus services from the centres of Liverpool, Penrith and Campbelltown to the Western Sydney International Airport.

‘Planning and housing’ is an explicit focus of the deal, which embeds the GSC 20-year housing supply targets for the Western Sydney District (184,500 new dwellings) and reiterates the state’s commitment to ensuring that local councils update their local planning instruments to deliver 6–10 year housing targets. Growth Infrastructure Compacts are to be developed by the NSW Government, to coordinate infrastructure and planning requirements for new development areas. Funding of $30 million ($15 million each from the Australian and NSW governments) forms the Western Parkland City Housing Package, to resource these initiatives.

Notably, although the WSCD refers to affordability, the deal includes no provisions or initiatives in relation to affordable housing.

The WSCD Implementation Plan identifies milestones and performance indicators for the key objectives of the plan (summarised in Table 9). In relation to ‘connectivity’, the key performance indicators relate to jobs accessibility within 30 minutes, and work trips by public transport. In relation to ‘planning and housing’, the performance indicator is simply ‘increased housing supply’ (DITCRD 2018: 8).
<table>
<thead>
<tr>
<th>Commitments</th>
<th>Key initiatives</th>
<th>Financial commitments</th>
<th>Performance indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Connectivity (infrastructure)</strong></td>
<td>• North South Rail Link&lt;br&gt;• Rapid bus service (Liverpool, Penrith and Campbelltown to the Western Sydney International Airport)</td>
<td>• $100 million ($50 million each from Australian/NSW governments)</td>
<td>• Jobs accessible in 30 minutes&lt;br&gt;• Work trips by public/active transport</td>
</tr>
<tr>
<td><strong>Connectivity (digital and smart technology)</strong></td>
<td>• Digital Action Plan (led by local government)&lt;br&gt;• Smart technology in new infrastructure&lt;br&gt;• 5G strategy&lt;br&gt;• Open data</td>
<td>• $20,000 per council for Digital Action Plan&lt;br&gt;• Existing agency resources/future government budget processes</td>
<td>• Knowledge intensive services&lt;br&gt;• Broadband connections in Western Parkland City</td>
</tr>
<tr>
<td><strong>Jobs for the Future</strong></td>
<td>• Aerotropolis&lt;br&gt;• Establish Western City and Aerotropolis Authority (master planner and developer)&lt;br&gt;• Western Sydney Investment Attraction Office in Liverpool&lt;br&gt;• NDIS Commission in Penrith&lt;br&gt;• Release surplus government land for development&lt;br&gt;• Indigenous Business Hub</td>
<td>• $12 million (NSW Government)&lt;br&gt;• Staffing by NSW Department of Industry (Investment Office)&lt;br&gt;• $5 million Investment Attraction Fund (NSW Government)&lt;br&gt;• $8 million Indigenous small business and skills package (NSW Department of Industry)</td>
<td>• Employment growth&lt;br&gt;• Reduction in unemployment rate</td>
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<tr>
<td><strong>Skills and Education</strong></td>
<td>• TAFE Skills Exchange near Western Sydney Airport&lt;br&gt;• Aerospace Institute&lt;br&gt;• New public high school focussed on aerospace and aviation</td>
<td>• Existing agency resources/future government budget processes</td>
<td>• Educational attainment&lt;br&gt;• Completion of tertiary education</td>
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<tr>
<td><strong>Liveability and Environment</strong></td>
<td>• Western Parkland City Liveability Program projects&lt;br&gt;• Establish Western Sydney Health Alliance to coordinate health services</td>
<td>• $150 million ($60 million each from Australian/NSW governments, $30 million from councils)&lt;br&gt;• $60 million for Centre of Innovation in Plant Sciences at Mt Annan (NSW Government)</td>
<td>• Access to green space areas</td>
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<tr>
<td>Commitments</td>
<td>Key initiatives</td>
<td>Financial commitments</td>
<td>Performance indicators</td>
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<tr>
<td>Planning and Housing</td>
<td>• Local planning for 6–10 year housing targets; local housing strategies</td>
<td>• $30 million ‘housing package’ ($15 million each from Australian/NSW governments)</td>
<td>• Increased housing supply</td>
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<td>• New Growth Area for Greater Penrith</td>
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<td>• Uniform local government engineering and telecom standards</td>
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<td></td>
<td>• Growth Infrastructure Compacts, including new transport and water infrastructure models</td>
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<td>• Planning partnership with growth councils</td>
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<tr>
<td>Implementation and Governance</td>
<td>• Governance bodies: Leadership Group; Implementation Board; Coordination Committee; Delivery Office</td>
<td>• Existing agency resources</td>
<td>• Timely completion of commitments against published milestones</td>
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<tr>
<td></td>
<td>• Commitment to working with Indigenous organisations</td>
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Source: The authors—derived from the WSCD Implementation Plan (DITCRD 2018).
Interviewees described the WSCD as an attempt to rebalance social and economic opportunities across metropolitan Sydney. In drawing together multiple LGAs, the approach is regarded to be similar to the City Deal model used in the UK. Participants were largely positive about the opportunities presented by the WSCD, but emphasised the challenges in achieving more integrated land-use and infrastructure planning, particularly the upfront provision of infrastructure to service employment lands and residential communities.

3.3.2 Wollongong

The City of Wollongong has strong ties to Sydney, with 13 per cent of Wollongong’s workforce commuting to Sydney in 2015 (Wollongong City Council 2018). House prices and rents are lower in Wollongong than in Sydney (in 2016 median rents were $328, compared with $440 in Greater Sydney) and there is a higher proportion of households living in social housing (7.4% compared with 4.6%) (Wollongong City Council 2018; ABS 2016; .id 2016). However, house prices have been affected by ‘spillover’ demand from Sydney, particularly in northern areas of the city that have high commuting accessibility by rail or road. Unemployment levels in Wollongong tend to be slightly higher than the state overall (5.7% in September 2017, compared to 4.8% for NSW) (Wollongong City Council 2018: 11).

The NSW Government's Illawarra-Shoalhaven Regional Plan establishes the strategic planning framework for the city of Wollongong and the south-coast LGAs of Shellharbour, Kiama and Shoalhaven. The plan sets broad parameters for land-use and infrastructure provision in the area, and outlines overarching objectives concerning prosperity, housing choices, community wellbeing, connectivity, agriculture and the natural environment (Department of Planning and Environment 2015). ‘Housing need’ forecasts, to inform new supply, are specified in the plan, but affordable housing is not addressed. A focus is on increasing housing density in areas around centres with jobs and transport, particularly central Wollongong.

The Wollongong Community Strategic Plan sets out strategic directions for the city, which include diversifying the local economy (particularly through knowledge services, advanced manufacturing and defence industries) and increasing affordable housing choices (Wollongong City Council 2018). Other goals include delivering accessible and affordable transport, and strengthening connectivity with Sydney. The plan is implemented through the city’s land-use controls, local infrastructure and community services programs, as well as key partnerships and initiatives.

Regarding Wollongong’s strategic planning frameworks, interviewees emphasised the importance of business attraction and relocation to the city, to reduce the need for skilled labour to commute to Sydney. Participants observed the benefits of state government decentralisation efforts elsewhere, such as the relocation of government offices to Parramatta, and saw similar opportunities for Wollongong. Interviewees described a sense that the city is missing out on critical growth infrastructure despite significant growth programs (with land release to support 8,500 new jobs and 19,500 new dwellings). The city council has identified affordable housing as a key priority and is providing $5 million to support home ownership schemes on council land in West Dapto, in addition to a subsidy to support companies relocating to new employment lands in the area.

3.3.3 Melbourne

Plan Melbourne sets the overarching spatial strategy for Greater Melbourne, overseen by the state planning authority (the Department of Environment, Land, Water and Planning). The plan identifies seven outcome areas: the first is that ‘Melbourne is a productive city that attracts investment, supports innovation and creates jobs’; the second is that housing choices are provided ‘in locations close to jobs and services’; and the third commits to ‘an integrated transport system that connects people to jobs and services, and goods to market’; a final outcome focusses on connections to regional Victoria ‘to support housing and economic growth’ (DELWP 2017: 12–13).

Spatially, Plan Melbourne advances ‘20-minute neighbourhoods’ as an organising principle for integrated transport, and aims to increase public transport to the city’s outer suburbs. Seven National Employment and Innovation Clusters are identified as a focus for jobs growth and strategic
infrastructure investment. These clusters are centred around medical, research and tertiary institutions across Melbourne, and are seen as local and regional destinations of national significance due to their role in attracting workers, students and visitors. A further nine Metropolitan Activity Centres are identified to ‘play a major service delivery role’ across ‘government, health, justice and education services, as well as retail and commercial opportunities’, offering a ‘diverse range of jobs, activities and housing for regional catchments that are well served by public transport’ (DELWP 2017: 14).

The plan refers to increasing ‘social and affordable housing’ but does not specify an affordable housing target. Urban renewal processes and the redevelopment of government land are cited as opportunities to support affordable housing outcomes. Planning reform to provide a clearer basis for affordable housing contributions (through voluntary agreements) is foreshadowed. The state’s housing strategy, Homes for Victorians, reiterates these commitments.

In 2018, the Planning and Environment Act 1987 was amended to include a new objective ‘to facilitate the provision of affordable housing in Victoria’—with affordable housing defined as ‘housing, including social housing, that is appropriate for the housing needs of very low, low, and moderate-income households’.

Further, a package of reforms to the private rental sector (to be fully implemented by 2020), includes the introduction of longer-term leases and limits rental increases to once per year. Once implemented, the availability of longer-term leases is likely to benefit Q2 renter households in particular, provided that they are able to access affordable rental housing in accessible locations.

3.3.4 Geelong

The G21 Regional Growth Plan (2013) and associated Implementation Plan provide strategic direction for five municipalities comprising the Geelong Region Alliance (G21): the City of Greater Geelong, Colac Otway Shire, Surf Coast Shire, Borough of Queenscliffe and the Golden Plains Shire. The plan recognises the importance of linkages to Melbourne, and seeks to provide housing choice and reduce car dependency in the area, anticipating a total population in the region of around 500,000 by 2050 (an increase of around 40%). Self-containment is a key theme in the plan, which seeks to ensure that ‘employment growth enables residents to work in close proximity to home without the need for long commutes’ (Geelong Region Alliance 2013: 10). The Regional Growth Plan is implemented through local planning schemes and infrastructure investment decisions.

Geelong is the largest municipality within the region, accommodating 75 per cent of the G21 population, the majority of the workforce, as well as major infrastructure and employment areas. The City of Greater Geelong has articulated a series of strategic documents across economic, transport, community, environmental and transport portfolios, within the umbrella framework of the Council Plan 2018–22, including a ‘community vision document’ designed to guide the region towards a ‘clever and creative future’ over the next 30 years (City of Greater Geelong 2017; 2018). The Council Plan emphasises jobs and education, transport connectivity, and development around technology, while advancing strong social and environmental sustainability objectives.

Key priorities for the G21 councils include revitalising central Geelong, renewing industrial precincts and attracting new economic investments to the region. The Geelong City Deal is considered to be an important mechanism for driving economic growth.

Geelong City Deal

A memorandum of understanding between the Australian and Victorian governments, committing to the Geelong City Deal, was signed in January 2018 and an Implementation Plan was released in October 2019. The deal is a 10-year plan, focussing on the economic revitalisation of Geelong itself as well as the visitor economy associated with Great Ocean Road. In total, the Geelong City Deal brings together around $370 million in investment funds, provided by the Australian and Victorian governments and the City of Greater Geelong.
Key initiatives include a new Convention and Exhibition Centre for the city centre; a wider central city revitalisation plan; and creation of the Geelong Waterfront Safe Harbour Precinct. Deakin University’s Geelong Future Economy Precinct at Waurn Ponds campus will receive funding for expansion, and a new ferry terminal will be constructed at Queenscliffe.

All interviewees were extremely positive about the potential for the Geelong City Deal to support the city’s aspirations, with the CBD revitalisation anticipated to support a residential population of 10,000.

3.4 Housing supply and job opportunity mismatches, and options to support balanced growth

To examine the geography of the employment/housing mismatch, and potential policy options for supporting more balanced growth in the case study cities of Sydney and Melbourne, we examined median rents relative to public transport (focusing on fixed rail) and employment density. We were informed by the wider analysis of private rental housing availability undertaken for the first project in this Inquiry (Hulse, Reynolds et al. 2019), which highlighted the deficit of private rental supply at or below $355 per week (the affordability threshold for Q2 households), particularly in job-rich locations of the major cities.

3.4.1 Spatial mismatch analysis

The affordable housing/employment opportunity spatial mismatch is clearly apparent in Figure 1 and Figure 3, below, which show median rents by postcode/SA2 in Sydney and Melbourne, respectively. In both cities, and particularly in Sydney, affordable rental markets for Q2 households are predominantly located in the suburbs that are furthest from the CBD. In both cities, affordable rental housing is also more prevalent in areas that are not currently serviced by passenger rail networks (although there are some exceptions).

Rents for two-bedroom dwellings were used for the analysis. Areas coloured dark green on the maps had 2016 median rents at or below $355 per week (i.e. ‘affordable’ to Q2 households). Areas shown in mid green were ‘marginally unaffordable’, with median rents between $355 and $445 (i.e. exceeding the affordable rent by up to 20%). Areas shown in light green were ‘severely unaffordable’, with median rents of over $445 (i.e. exceeding the highest rent that would be affordable to a Q2 household by more than 20%).

In Greater Sydney, postcode areas with 2016 median rents (for a two-bedroom property) affordable to Q2 households are predominantly located in outer suburbs. These areas are generally more than 50 kilometres from the CBD. As shown in Figure 1, these affordable regions are much less likely to be serviced by rail than unaffordable and marginally unaffordable areas.
As shown in Figure 2, Sydney postcode areas with 2016 median rents (for a two-bedroom property) that are affordable to Q2 households are also areas with lower job density. In affordable rental locations, including Sydney’s south-west, north-west and outer-west, there are fewer than 300 jobs per square kilometre. Areas of concentrated employment beyond the CBD tend to be located in suburbs serviced by the rail network (less than 30 km from the CBD). While these areas are generally unaffordable to Q2 households, there are some locations (particularly in the central west and inner south) that are only marginally unaffordable and, at the same time, offer proximity to job-rich areas within a 30km radius.
A similar pattern is apparent across Greater Melbourne (see Figure 3), although severely unaffordable rent areas are confined to those suburbs immediately surrounding the CBD. There are many marginally unaffordable areas (i.e. with 2016 median rents exceeding the affordable rent by less than 20%) 10 kilometres from the CBD.
In Melbourne, like in Sydney, jobs also tend to be more densely concentrated within 30 kilometres of the CBD (see Figure 4). These areas are also more heavily serviced by light and heavy rail. For the most part, these job-rich areas are only marginally unaffordable to Q2 renter households.
This spatial analysis reveals that, in some areas, there is scope to deliver affordable rental housing for Q2 households in job-rich areas through policy intervention. This is particularly the case for suburbs where median rents are currently marginally unaffordable.

### 3.4.2 Options for supporting balanced growth

Overall, the analysis points to the need for different types of interventions to address housing affordability and job accessibility in different localities. In areas that are job and transport rich, and where median market rents significantly exceed affordable levels (by more than 20%), reducing the rental burden of Q2 households is unlikely to be achieved through market-rate development. In these locations, rental housing affordable to Q2 households is only likely to be delivered as a result of statutory planning policies and funding programs that support the development of housing for which rents are set at affordable levels and eligibility is restricted to target households.

Areas that provide good access to jobs and that have median rents that are only marginally unaffordable (i.e. exceed affordable rents by less than 20%) offer an opportunity for ‘light’ policy intervention to improve rental affordability for Q2 households. In NSW, the State Environmental Planning Policy (Affordable Rental Housing) 2009 offers a density bonus to developers who allocate at least 20% of the gross floor area of their development to be rented at up to 80 per cent of market rent for a period of 10 years. A policy like this has potential to improve affordability as part of new development. The relatively short time frame on the affordability requirement (which is significantly shorter than the life of the building) has been subject to criticism and a longer time frame would be needed to provide secure, affordable rental housing and to preserve the rental affordability of locations over the longer term. Moreover, as new supply accounts for only a small proportion of housing stock, focussing solely on new development could have limited effect.
Finally, areas which currently have median rents that are affordable to Q2 households but offer poor job accessibility should be considered for infrastructure investment, in order to better connect affordable housing and areas of employment. However, within these strategies, two considerations are important. First, outer suburban areas may have affordable median rents but not necessarily a significant supply of rental housing. Therefore, policies to support diverse housing, including rental housing, need to be considered in conjunction with infrastructure investment. Second, affordability may not be preserved over the long term without strategies and policies to support it.

Across all strategies, it is important to emphasise that providing rental housing affordable to Q2 households, through policy or market processes, is not enough. Competition for private rental accommodation from Q1 households, particularly those unable to access social housing, and from Q3 households, particularly those unable to achieve home ownership, means that metropolitan planning strategies and funding interventions must deliver a range of affordable options across the continuum of housing need.
4 Policy development options

This study examined potential options for strategic planning and funding interventions to leverage affordable rental housing near employment, enhancing urban productivity. It was informed by the other research projects in the AHURI Inquiry into Urban productivity and affordable rental housing supply, in particular, new evidence on the shortage of rental housing affordable and available to low-income (Q2) households in accessible areas of Sydney and Melbourne proximate to each city’s CBD. This shortage is caused by the competition for rental accommodation in areas that are well connected to employment opportunities, including competition from very-low-income and moderate-income (Q1 and Q3) households who depend on the private rental market. A consequence is that Q2 households are rent burdened, commute burdened, or experience lower labour market participation, with overall implications for urban productivity.

The analysis examined existing strategic planning frameworks for addressing the relationships between urban productivity, employment and affordable rental housing, as well as the potential role of place-based funding interventions such as city deals. Key findings of the research include the following.

• Place-based deals, such as Australia’s emerging City Deal model, offer unique opportunities for enhancing urban and regional productivity by reconfiguring spatial relationships between employment, affordable rental housing and transportation.

• City Deals are resulting in horizontal and vertical collaboration across Australia’s three government levels, but governance arrangements have not been established to align with strategic planning and provide structured opportunities for public engagement and consultation, including recognition of local communities of interest such as Indigenous communities and representation of disadvantaged and/or vulnerable groups.

• Specific mechanisms are needed to create or preserve affordable rental housing in areas benefiting from new investment and connectivity to employment opportunities. Such mechanisms are largely absent in capital city strategic plans and regional planning frameworks.

• Satellite cities such as Wollongong and Geelong, near capital city employment centres like Sydney and Melbourne, can play an important role in providing affordable rental housing for Q2 workers.

• Strategies for connectivity should support new and skilled employment opportunities within satellite cities, to ensure that Q2 renter households are not forced to commute long distances.

The following strategies could be pursued or leveraged through place-based funding models.

• Planning levers to include affordable rental housing in newly zoned areas and areas where there is significant infrastructure investment. These levers can include a spectrum of affordable housing products; however, ensuring that appropriate rental housing is available for Q2 households should be a priority in areas that are well connected to employment opportunities.

• Planning incentives for affordable rental housing in infill and renewal contexts not subject to widespread rezoning or government investment. An example of this approach is the affordable rental housing density bonus that operates in NSW, offering increased floor space in return for dwellings being rented to eligible households at a 20 per cent market discount for a minimum of 10 years.

• Rental innovations, such as purpose built rental housing products that incorporate specific measures to ensure that accommodation is affordable and available to eligible households on low incomes.

• A combination of levers is likely to be needed in high-value markets (e.g. planning requirements, incentives, financial subsidy and new rental products), while mechanisms to preserve affordability (by requiring an ongoing pipeline of affordable rental housing in new projects) should be sufficient in markets where housing is already relatively affordable to low-income households.
Lower-income workers play a critical role in urban and regional labour markets and productivity. High-value housing markets, such as many suburbs with proximity to the Sydney and Melbourne CBDs, exert a potential brake on economic growth by forcing lower-income households to endure housing stress or long commutes to work. The spatial mismatch between employment and housing opportunities also adds to urban congestion, and is likely to reduce workforce participation. Australia’s national and state/metropolitan strategic planning frameworks recognise these issues but have so far failed to implement systematic strategies to provide affordable rental housing in accessible areas or for preserving affordability in locations benefiting from new investment.

In part, the failure to link affordable housing with infrastructure and economic development reflects a perception that stimulating new housing supply overall will be sufficient to address affordability across the market. However, the evidence presented in this Inquiry, as in previous studies, shows that new housing production is not enough to ensure that lower-income groups are able to access affordable rental accommodation in well-located areas near transport and jobs.

With place-based deals emerging as a new model for catalysing investment and jobs in areas where existing housing is comparatively more affordable and where there is significant capacity for new housing supply, there are important opportunities to leverage wider outcomes through land-use planning reform. Such reforms should support affordable rental housing inclusion in new urban development as a basis for ensuring that low-income households benefit from wider urban and regional development processes.
References


DITCRD—see Department of Infrastructure, Transport, Cities and Regional Development


DPIE—see Department of Planning, Industry and Environment


GSC—see Greater Sydney Commission


NHSC—see National Housing Supply Council


OECD—see Organisation for Economic Co-Operation and Development


Wollongong City Council (2018) Our Wollongong 2028: Community Strategic Plan, Wollongong City Council, Wollongong.


## Appendix 1: Australian informants

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<thead>
<tr>
<th>NSW</th>
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<tr>
<td><strong>Sydney</strong></td>
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<tr>
<td>Liz Dibbs</td>
<td>Commissioner for Western Sydney</td>
<td>Greater Sydney Commission (GSC)</td>
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<tr>
<td>Helen O'Loughlin</td>
<td>Social Commissioner</td>
<td>Greater Sydney Commission (GSC)</td>
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<tr>
<td>Simon Hunter</td>
<td>Executive Director, Strategy and Planning</td>
<td>Infrastructure NSW</td>
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<tr>
<td>Charles Casuscelli</td>
<td>CEO</td>
<td>Western Sydney Regional Organisation of Councils (WSROC)</td>
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<td><strong>Western Sydney City Deal</strong></td>
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<tr>
<td>Danielle Woolley</td>
<td>City Deal Delivery Officer</td>
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<tr>
<td>Kylie Powell</td>
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<td>Penrith City Council</td>
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<td>Ally Dench</td>
<td>Executive Director, Community and Corporate/WS Smart City</td>
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<tr>
<td>Chris Guthrie</td>
<td>Manager, City Economy</td>
<td>Liverpool City Council</td>
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<tr>
<td>Jim Baldwin, Kate Stares, David Smith</td>
<td>City Development Team</td>
<td>Campbelltown City Council</td>
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<td><strong>Wollongong</strong></td>
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<tr>
<td>Nigel McKinnon</td>
<td>Deputy Director, Regional Development/ Advantage (Wollongong)</td>
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<tr>
<td>Jim Fraser</td>
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<td>Illawarra-Shoalhaven Joint Organisation (ISJO)</td>
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<tr>
<td>Andrew Carfield</td>
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<td>Trevor James</td>
<td>Economic Development Officer</td>
<td>Shellharbour City Council</td>
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<td><strong>Victoria</strong></td>
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<td><strong>Melbourne</strong></td>
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<tr>
<td>Tess Pickering</td>
<td>Acting Executive Director, Strategy, Engagement and Futures</td>
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<td>Richard Watling</td>
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<td><strong>Greater Geelong City Deal</strong></td>
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<td>Tim Ellis</td>
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<tr>
<td>Brett Luxford</td>
<td>Director, Investment and Attraction</td>
<td>Geelong City Council</td>
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Appendix 2: International informants

- **Professor Andy Pike**
  - Professor of Regional Development Studies, Newcastle University.
  - Undertook the first national comparative study of City Deals in the UK.

- **Professor Duncan Maclennan**
  - Professor of Public Policy, University of Glasgow;
  - Professor of Strategic Urban Management and Finance, University of St Andrews;
  - Professorial Research Fellow in Urban Economics, University of New South Wales.
  - 'Knowledge Leader' on City Deals for the UK’s Economic and Social Research Council 2014–17.

- **Dr David Waite**
  - University of Glasgow.
  - Advisor to the Glasgow Economic Commission.

- **Professor Gillian Bristo**
  - Professor in Economic Geography, Cardiff University.
  - Leads the City Region Exchange between Cardiff University and the Cardiff Capital Region (third wave City Deal).

- **Steve Fyfe**
  - Head of Housing Strategy, Greater Manchester Combined Authority.
Appendix 3: Manchester case study

The ‘Manchester model’ is the most influential of the UK place-based deals in terms of the Australian uptake of city deals (KPMG and Property Council Australia 2014). The model is widely regarded as an innovative and strategic approach to enabling economic growth through, for example, creation of an investment framework, infrastructure fund and housing investment fund (Morse 2015). It is broadly accepted, with its attendant governance institutions, as the most advanced realisation of deal-making in the UK. However, it should be noted that the powers devolved to GMCA are fewer than those available to the Greater London Authority (GLA), as the GLA is responsible for allocating Homes England funding for Greater London—Homes England is a national executive non-departmental public body, sponsored by the Ministry of Housing, Communities and Local Government, which is ‘the government’s housing accelerator’ (UK Government 2019).

The Manchester case study affirms and illustrates many of the points made by experts interviewed for this study, such as the long period of time it takes to develop effective governance arrangements for city deals—and how this is wrapped up within the overall progression of a sequence of ‘devolution’ deals and the ‘slippage and backtracking’ that is part and parcel of implementation.

The Manchester model was described by interviewees as predicated on trickle-down effects from increasing employment in the city centre, and subsequently seeking to build those employment opportunities ‘into the system’. Manchester has prioritised increased housing density (generally high-rise developments) in the city centre, which is now oversupplied with such stock. This strategy has been described as leading to a ‘city region which has been formatted for growth that excludes outer boroughs by the mono-culture of flat building in the centre’, and has led to calls for further emphasis on infrastructure and skills ‘to build a city region where public transport could take the people to the jobs’ (Moran, Tomaney et al. 2018: 209).

Critics have also highlighted the ongoing challenges faced by the Greater Manchester Combined Authority (GMCA) in terms of finalising its 20-year spatial planning framework for housing and employment lands, which, when adopted, will become the statutory plan for development across its 10 constituent LGAs. Finalisation of the Greater Manchester Spatial Framework (GMSF) has been delayed for two reasons. Firstly, due to concerns about the amount of greenfield development proposed in the draft. Secondly, as a result of much lower household projections for the region (revised down from 220,000 to 150,000 by the Office for National Statistics in 2018). The figures were reduced so dramatically, according to one expert, due to nervousness about ‘oversupply’ of housing in Cambridge and Oxford. Across the city region, there is a recognised lack of affordable family housing and a need to renew (public) housing stock in the outer boroughs. Once finalised, the GMSF will set affordable housing targets but, as one expert commented, delivery will depend on how much priority is given to those targets in national funding streams (most pertinently, from the national agency Homes England).

Development of the Manchester model took a lot of time and extensive cooperation between different levels of government to get to its current position (see, for example, Harding, Harloe et al. 2010). Realisation will also take time, as illustrated by the following timeline, focussing on the housing components of the deal.

- The Manchester City Deal (signed 2012), included a commitment that the Housing Investment Board would set up a £300 million Housing Investment Fund over 10 years, intended to support delivery of 10,000–15,000 houses.
- The Devolution Deal (2014) (which also covered a consolidated transport budget, strategic planning, creation of an elected mayor—elected in 2017—and formation of the GMCA) finally enabled the GMCA to take control of the Housing Investment Fund. The fund is made up of loans, funded from existing government programs such as Help to Buy. The GMCA has control over how these loans (which are only available to the private sector) are allocated, and the funds distributed...
may be recycled within the private sector before being repaid to HM Treasury. The GMCA guarantees 80 per cent of the principal plus interest earned (Jones 2016).

- In the 2015 Autumn Statement, it was announced that options to diversify the social housing base would be assessed. In the 2017 Autumn Budget, the Housing First pilot was announced, to be rolled out as an ongoing program in 2019.
- The Greater Manchester housing package was announced in 2018. It included £68 million in funding to support the mayor’s target of delivering 227,200 homes by 2035 and to ensure the GMSF reflects this target by accelerating delivery rates to 12,375 homes per annum to 2026. The package announcement detailed funding that supported a focus on developing brownfield land for housing and getting more homes built on small sites. This shift in emphasis resulted from controversies about the amount of greenfield development envisaged in the draft GMSF, released in 2016. As part of his election platform, the yet-to-be-elected GMCA Mayor promised to address this issue, and to increase housing density in existing town centres, evidencing a greater polycentric sensibility.

Funding for the Greater Manchester housing package was detailed as follows—though it should be noted that, at the time of interviewing in early 2019, all elements of the package were stalled due to the revised household projections.

- £50 million for a Land Fund to help councils prepare brownfield land for housing development—described by one expert as giving local governments the money and flexibility to do ‘whatever needs to be done’ to get sites ready for development. However, this funding is still forthcoming from HM Treasury as metrics/cost-benefit ratios are still being determined.
- Four Housing Infrastructure Fund projects to be taken to the next stage of assessment for funding. The Housing Infrastructure Fund (see below) is a separate funding stream that has been bundled into Manchester’s housing package. It derives from the Productivity Investment Fund. Individual local authorities could make (smaller) bids to this fund, whilst greater ‘forward funding’ is available to Combined Authorities. Within GMCA, Manchester and Salford were successful in gaining a city centre package; and Bolton and Wigan gained support to ‘unlock housing sites’ related to road infrastructure improvements.
- Up to £8 million for capacity funding to boost support for housing delivery across the region.
- £10.25 million in funding to help regenerate a public housing estate in north Manchester (an existing funding commitment re-announced as part of the package).
- New flexibilities on the existing £300 million Housing Investment Fund to allow more homes to be delivered through loans to (private) developers.

Assessment of affordable housing delivery through the Manchester deal is stymied by the lack of available data. A 2017 public report to Manchester City Council’s Economic Scrutiny Committee provides data on housing supply. It reports that the Greater Manchester Investment Fund (including the Housing Investment Fund) has ‘supported the building of over 4,400 new homes’ (Manchester City Council 2017: 8). The report specifies that continued funding requires a commitment from the GMCA that funds be invested to deliver housing at an average cost of no more than £12,000 per unit (2017: 12)—described by an expert interviewee as a ‘rule of thumb’ that was ‘about right’. Any resultant provision of affordable homes via planning agreements is not specified and the expert affirmed that such agreements would be the only source of affordable housing provision via the Housing Investment Fund. The city council report also acknowledges that the majority of Housing Fund commitments have been made in the extended city centre of the GMCA area:—namely, Manchester, Salford and Trafford—which reflects initial developer demand (Manchester City Council 2017: 11).
An interviewee explained that political attention around the need to diversify housing supply in Greater Manchester has increased, with a focus on the need for social housing both within the Greater Manchester core (such as Manchester City) as well as the outer boroughs. Displacement was recognised as ‘becoming a political concern’ given the affordability of private sector rental dwellings compared to social housing rents. However, discussion had not yet led to the formulation of policy and planning mechanisms.

The main mechanisms for affordable housing provision in England are provided by the central government agency Homes England (formerly the Homes and Communities Agency). ‘Devolved housing capacity’ mechanisms available via the Housing Investment Fund are only for private developments—which may, in theory, result in limited affordable housing via planning agreements, though an expert clarified that policy requirements for affordable housing were going to ‘tighten up’ in coming years. Any realisation of greater delivery relates to provision of Homes England funding streams and alignment with Homes England priorities. An expert contrasted the GLA—which is responsible for allocating Homes England funds for Greater London, giving it ‘access to a whole list of funding programs’—with the GMCA’s lack of housing funding, stressing that the GMCA ‘needs the ability to bend funding’ to deliver.

Interviewees viewed the ability to fund brownfield land remediation as integral to increasing land supply for housing development. The Greater Manchester Housing Providers (GMHP) group comprises 25 housing associations and arms-length management organisations (ALMOs) from across the Greater Manchester city region. Combined, they own about 250,000 dwellings and have developed 8,000 additional dwellings across the region since 2013. The GMCA and GMHP are engaged in creating a joint venture organisation for ‘market-facing development’, aiming to develop 500 houses per year on local, authority-owned, predominantly brownfield sites—provision described by an interviewee as ‘going beyond flats in the city centre’.
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