

Neighbourhood scale, mixed tenure developments bring wider benefits to communities



Based on AHURI Final Report No. 412: From mixed tenure development to mixed tenure neighbourhoods

What this research is about

This research examines the opportunities for, and benefits of, mixed tenure housing developments in Australia, and in particular how to upscale successful mixed tenure outcomes at a neighbourhood level.

The context of this research

Mixed tenure is typically defined as a development that contains a variety of dwelling products across a range of dwelling tenures, usually delivered on government-owned land. These tenures include social housing (public housing and housing delivered by community housing providers [CHPs]) and normally private ownership products, although sometimes private rental dwellings are included.

Mixed tenure developments' popularity stems from factors including strategies around asset management (including divesting outdated stock) and the delivery of newer dwellings directly by government and the not-for-profit (NFP) sector and in partnership with the private sector. Social outcomes are also a key driver including improving location and social-mix characteristics.

The key findings

This research looks beyond individual mixed tenure developments to mixed tenure neighbourhoods as a means of increasing the volume, diversity and quality of affordable and social housing supply, while opening opportunities for achieving broader urban upgrades and alternative finance, delivery and management arrangements.

Replicable neighbourhood-scale models, integrated with local planning codes, has the potential to build capacity across diverse housing providers, including the NFP housing sector.

Typical models of Australian mixed tenure developments

Mixed tenure developments in Australia can be categorised in four models:

Renewal of high-value public housing estates in urbanised areas – large-scale residential developments with long time frames (3–7+ years). Often delivered as public private partnerships (PPPs) between CHPs and private developers based on competitive tenders set by state governments. Development is often driven by a political preference for leveraging public land assets and transferring social housing management from government to community sectors. An increase in dwelling density and yield is usually emphasised with a predefined mix of social, affordable and private housing supply.

Redevelopment of broadacre / urban fringe public housing estates - this involves the sale of land assets to a private developer with development including a fixed proportion social housing stock. Often carried out as a dispersal strategy to break up concentrations of social disadvantage or to intensify underutilised land assets and mitigate risks associated with inappropriate and ageing dwelling stock.

Catalysts for new centres - mixed tenure housing is included in the early stages of new centre developments and include delivery of local amenities and services, which encourage further private sector development through risk reduction.

Bespoke or experimental projects - these are smaller projects delivered on discrete allotments by CHPs or private developers. They can be prompted by inclusionary zoning targets, the opportunistic use of surplus sites, or a demonstration of housing innovations. Projects increasingly involve alternative finance and tenure structures such as impact investment, philanthropy, build to rent (BTR), and rent to buy. The mix of tenures is driven by project-specific aims and stakeholder needs, with private sales/rentals used to cross-subsidise social and affordable offerings.

Public estate renewal (urban or broadacre) and new centre development are constrained by suitable land supply. These models tend to result in a limited number of mixed tenure housing types and locations, while their scale and complexity precludes involvement by smaller builders and CHPs. A wider range of stakeholders are involved in bespoke mixed tenure projects, with a greater diversity of dwellings and urban innovations achieved. However, the success of 'one-off' development outcomes has proven challenging to measure or replicate.

Advantages of a mixed tenure neighbourhood model

This study proposes to leverage a pipeline of small-scale social housing assets that are distributed across established areas of Australia's cities and regions as a basis for developing a flexible and replicable model for mixed tenure neighbourhood renewal. Mixed tenure neighbourhoods offer a more rapid mode of development delivery when compared to typical mixed tenure models. The model has the capacity to augment existing supply with a diversity of medium density housing choices and amenity upgrades over time. Precedents for neighbourhood-scaled housing development already exist in Australia, and offer advantages such as:

- cross-subsidy of housing renewal
- dwelling diversity and viability of higher-density types
- more equitable locations of affordable housing
- distributed design benefits across multiple projects
- construction innovation
- procurement of small builders to deliver standardised building
- better utilisation of social housing—enabling incremental and opt-in staging tied to broader urban strategies and community outcomes.

Measuring success in mixed tenure projects

Successfully delivering mixed tenure hinges on many factors, starting with a firm conviction, a clear vision and long-term project commitment. Measures of mixed tenure success differ across projects, including:

- *feasibility*—building or renewing affordable housing that would otherwise not have been financially or politically possible
- *improved liveability for residents*—design and location of appropriate housing
- *social mobility*—often disputed goals around improved tenant participation and wellbeing
- *place-based metrics*—including tenure blindness, reduced stigma and increased access to amenities and services within a precinct or neighbourhood
- *ongoing management and maintenance*—longer-term success of the housing and environs.

Calculating mixed tenure neighbourhood opportunities in Brisbane, Sydney and Melbourne

Appropriate land assembly is the primary driver of mixed tenure neighbourhood opportunities. Examination of Brisbane, Sydney and Melbourne shows that while an estimated 43,361 existing social properties are single houses and located in established suburbs, 12,378 properties form suitable clusters for neighbourhood redevelopment. Of these, 8,056 properties are in medium-density and high-density zones and have immediate capacity to deliver a diversity of mixed tenure housing outcomes.

It is important to note that what can be achieved from the redevelopment of multiple housing allotments is not possible when infill projects are executed on a lot-by-lot basis. Maximising the social and economic uplift in low-density residential neighbourhoods requires a coordinated approach to mixed tenure housing renewal. A whole-of-government approach to public asset management will be needed to enable the strategic staging of mixed tenure housing and neighbourhood renewal across multiple sites in low-density single-housing contexts. Existing planning bottlenecks for delivering higher-density outcomes in low-rise housing contexts would need to be overcome.

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Case studies of neighbourhood scale renewal under different models of mixed tenure

The three locations were selected for testing:

1. St Marys, NSW—a model for diversifying housing provisions in strategic development precincts through the delivery of mid-rise and low-rise typologies in the adjoining residential neighbourhood
2. Mt Gravatt East, QLD—neighbourhood renewal in a low-density residential zone. This scenario tests how modest multi-residential dwelling types can deliver increases in density while respecting the existing qualities of the area
3. Jacana / Broadmeadows, VIC—neighbourhood renewal in a low-rise, medium-density zone providing a catalyst for future housing and amenity upgrades.

The case studies show that neighbourhood-scale development provides state housing authorities with opportunities to cross-subsidise social housing development, and potentially deliver other, less subsidy-intensive affordable housing products on an even greater scale. Selling lots to the private market and using the revenue to deliver higher density on neighbouring lots can help fund social housing delivery, and also deliver better quality design outcomes. Better quality outcomes will increase land values over time, enabling greater revenue generation from subsequent lot sales and greater provision of social housing.

The scenarios highlight that it is more effective, and much simpler, for the state housing authorities to sell off lots and use the proceeds to subsidise the delivery of social housing either directly, or indirectly through CHPs.

Supporting communities during mixed tenure development

Social mixing done well can influence cultural and social cohesion by opening up communities; however, broader changes at the neighbourhood and societal level are thought to have a much stronger impact on social mobility.

Studies of the redevelopment of large social housing estates have shown that social capital is lost by dispersing and relocating established communities and the mutual support networks they offer. The mixed tenure developments built in their place can lack the urban village features of concentrated communities where residents share similar outlooks and challenges. Refurbishing and expanding on existing social housing estates avoids this sudden break to social fabric yet adds a socio-economically diverse mix to the neighbourhood if it follows the mixed tenure approach.

The research workshops were unified in their calls for community consultation on change and potentially the need for community co-design for large, neighbourhood-scale redevelopment projects and the necessity of neighbourhood plans and master plans. Furthermore, in jurisdictions where development concessions are allowed through relaxing planning controls, the additional massing can lead to poor design quality, reducing amenity and fuelling community-led resistance. Housing diversity is also seen as a critical focus for future developments—particularly for client housing through the life cycle and for age-in-place solutions.

Financing and delivering mixed tenure development

Flexible financing strategies and supporting policies with strong government involvement are key to developing, facilitating and renewing mixed tenure housing. The finance sector requires long-term confidence, outcomes and security to engage in risk allocation and develop a capital market. Future investment relies on private industry rather than the community sector, although both groups working in tandem to achieve scale and capacity would alleviate more risks and promise more resilient solutions.

To retain the land and buildings for future options, long-term lease models are increasingly preferred by state governments. There is also a political emphasis on avoiding the sale of public land. As a result, ‘ground-lease’ practices are emerging in Victoria but are largely untested in other states.

Although ground leases are a way towards more affordable housing, there will be a struggle with financing as owners will not have the security of owning the land, making it harder to get loans. Government could be a broker that underwrites those loans.

No optimal mix for neighbourhood scale development

Findings suggest there is no optimal dwelling and tenure mix for mixed tenure development. The mix is dependent on a range of factors related to funding, land, existing tenants, management and maintenance costs and prevailing dwelling prices, with an emphasis on financial and supply imperatives. A 70:30 mix, where 70 per cent of housing is sold at market rate and 30 per cent sold at a discount to CHPs, is broadly accepted as best practice. However, there is little evidence that clearly links the benchmark to how success is understood or practically achieved within a development.

What this research means for policy makers

The study identified a number of key findings relevant for mixed tenure development:

- adopting a whole-of-life approach to buildings and communities means maintenance and management costs are a key consideration in the type, design and location of affordable dwellings
- developers' objectives and attitude to mixed tenure projects contributes greatly to successful developments. Development quality in private dwellings is not always high enough for social housing standards, which can result in the social housing dwellings being distinct from those delivered by the private sector
- community spaces, connected networks (buildings, sites and centres), rentable spaces and onsite services are integral in the longer-term success of a mixed tenure neighbourhood
- the availability of capital funding will determine the development's dwelling and tenure mix. Neighbourhood-scale development allows state housing authorities to cross-subsidise social housing development and deliver other less subsidy-intensive affordable housing products on a greater scale

- developments should consider tenure-blind, mixed-income arrangements where tenants can shift between different subsidised or market housing forms while remaining in their community.
- greater consistency across state and local government jurisdictions would aid the development of appropriate funding models and approaches to mixed tenure development
- the direct subsidy required for mixed tenure development increases with lower-value land sites and more subsidy-intensive affordable housing products. Public land assets can be used to cross-subsidise social housing development and generate a net increase in social housing. Key factors for potential mixed tenure neighbourhood sites include walking distance to shops, public transport, schools, health facilities and work opportunities.
- new titling and finance options supporting emerging types of ownership (co-operative, shared equity, rent to buy) and community governance (co-housing, BTR, etc.) would help facilitate mixed tenure development.

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Methodology

This research reviewed literature and case-studies, interviewed stakeholders, analysed existing and future mixed tenure project locations, developed design scenarios applied to 'real world' sites and conducted workshops with industry experts.

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