

Delivering affordable housing through place-based deals



Based on AHURI Final Report No. 331: Strategic planning, 'city deals' and affordable housing

What this research is about

This research examines international and Australian practice in using place-based planning and funding interventions (i.e. they are targeted at specific areas or regions such as at a particular city or geographical area), such as 'city deals', to deliver affordable rental housing near employment centres and to enhance urban productivity.

The context of this research

Australian cities show a growing mismatch between the locations of employment and the geography of affordable rental housing. Low-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.

Key points

- 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.
- 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.

Key findings

International evidence: place-based deals as strategic funding interventions

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:

- a focus on infrastructure funding in place-based deals to support economic development has meant that benefits to disadvantaged groups are often unclear
- 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
- 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.

Comparing international place-based deals

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

Source: The authors.

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. This study's review of these strategic frameworks found:

- 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
- 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 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 found:

- 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 low-income 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

This research examined barriers to and opportunities for addressing this spatial mismatch, with analysis focussing on four case studies: Sydney, Melbourne and satellite cities Wollongong and Geelong.

- There is potential to increase the supply of housing affordable and available to low-income 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 low-income households but availability remains limited (due to competition for these dwellings with very low and moderate income households). Locations include Liverpool and Blacktown in Sydney.
- Complementary strategies include sustaining and increasing social housing investment (for very low-income households) and affordable home ownership products (for moderate income 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.

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What this research means for policy makers

This project's review of strategic policy interventions and funding 'deals' 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 low-income renters are able to access accommodation in proximity to employment opportunities, particularly in higher-value capital city markets.

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.

Through addressing employment/housing spatial mismatches, this study found that opportunities for supporting the supply of rental housing affordable to low-income households exist in both Sydney and Melbourne, including:

- 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.

Methodology

This research reviewed and analysed spatial funding and city deal programs in the UK, Europe, North America, NSW and Victoria, supplemented by interviews with academic and practitioner experts.

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Australian Housing and Urban Research Institute

Level 12, 460 Bourke Street, Melbourne VIC 3000
+61 3 9660 2300
information@ahuri.edu.au
ahuri.edu.au



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