Planning for Affordable Housing in Australia’s Metropolitan Regions

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Abstract: Housing affordability has emerged as a key issue in planning for Australia’s cities and regions. Critics of the planning system argue that planning contributes to house price inflation by limiting the release of residential land and increasing the costs of housing production through excessive development controls and charges. Yet international research and practice suggests that the planning system can and should secure affordable housing in new development, or risk exacerbating existing problems of socio-spatial polarisation in urban growth. Drawing on AHURI research, this paper considers the potential transferability of established and new international models, focusing on the delivery of metropolitan planning commitments for affordable housing in Sydney, Melbourne, Brisbane, and Adelaide.

Introduction

In March 2007, the Residential Development Council sent plastic bananas to politicians linking the 2006 banana famine to the shortage of affordable housing (RDC 2007). Their premise was that state planning authorities had failed to release sufficient residential land, particularly on the fringes of Australia’s capital cities, leading to house price inflation. The rather obscure reference to the Cyclone Larry induced banana shortage, which caused the price of bananas to rise exponentially, was intended to show that escalating house prices reflect a similar demand supply imbalance. The solution, according the Residential Development Council was to remove the shackles of planning control by significantly increasing the supply of zoned residential land. Ironically this anti planning campaign by industry has coincided with a shift within state and local governments towards planning as a potential solution to unaffordable housing:

“Nearly all Planning Ministers agree that planning and providing for affordable housing utilising planning mechanisms is an important contributor to sustainable communities based on the triple bottom line approach to sustainability, through providing economic, environmental and social improvements” (HPLGM 2005, p. 5).

Such commitments are reflected in the latest generation of metropolitan plans for Australian cities, which invariably refer to the need for affordable housing, particularly in new developments and in large redevelopment projects (Gurran 2007a). These metropolitan level commitments are broadly consistent with international practice in planning for affordable housing, if at an earlier stage of evolution. This paper considers the potential for international approaches to contribute to the implementation of emerging metropolitan level affordable housing commitments in Australia.

Research Approach

The paper draws on work undertaken for the Australian Housing and Urban Research Institute (AHURI) on international practice in planning for affordable housing and potential application to Australia (Gurran et al. forthcoming). It focuses on three key questions:

- In what ways, if any, has urban planning contributed to the affordable housing shortage in Australia’s metropolitan regions, and could it contribute to the solutions?
- What are the affordable housing commitments in metropolitan plans for Adelaide, Brisbane, Melbourne and Sydney?
- What can we learn from international practice to help implement emerging commitments for affordable housing in metropolitan Australia?

The study involved a review of international literature and documented practice on planning for affordable housing in the comparable English speaking jurisdictions of the United States, the United Kingdom and Ireland. These jurisdictions represent both long established practice (North America and the United Kingdom) and emerging models (Ireland). The Netherlands was also included for its long tradition of integrating the land use planning system with the development of social housing (Milligan 2003). The focus on metropolitan planning reported here draws on this broader work, including reviews of state legislation and policy in New South Wales, Victoria, Queensland and South Australia, and analyses of metropolitan plans themselves. These states were selected because they represent a variety of
affordability challenges and policy and planning system frameworks, although we recognise they are not fully representative of Australia overall. To clarify our analysis of state and metropolitan planning policy and affordable housing approaches, 11 semi-structured interviews were held with senior policy officers and planners between January – August 2007. The interviews focused on the role of the land use planning system in relation to affordable housing, key planning mechanisms used in each state and capital city, and in which market settings, and links between planning approaches for affordable housing and broader policy or financial strategies for affordability.

What is affordable housing?
There is much confusion and debate about what constitutes affordable housing in Australia. Definitions vary across public discourse, housing policy and assistance programs, land use planning, and research contexts. Most definitions include a reference to an acceptable or ‘affordable’ proportion of income spent on housing payments or rent (the benchmark is usually 25 – 30 per cent), and focus on low to moderate income groups. Australia’s Housing, Planning and Local Government Ministers define affordable housing as “housing which is affordable for low and moderate income households across home ownership, private rental as well as public rental tenures” (HPLGM 2005, p.1). We use this definition of affordable housing in this paper, because it is not limited to a particular type of housing or funding model, and recognises traditional social rental housing through to private rental housing and home purchase.

Structure of the paper
The paper first outlines the key debates about the planning system and housing affordability. Affordable housing commitments and strategies as expressed in metropolitan plans for Adelaide, Brisbane, Melbourne and Sydney and related state or local policy and legislation are then compared. Finally, we examine the potential to operationalise these commitments, drawing on our review of international practice and new models emerging in selected metropolitan contexts in Australia. The paper concludes by reflecting on the overall potential for the planning system to contribute to affordability goals vis-à-vis other potential policy levers such as subsidies or incentives for private sector investment and direct capital investment in public housing. Rather than an either/or scenario, we argue that an optimum use of land use planning tools can maximise the leverage and impact of both direct capital investment in new social housing and of subsidies or incentives for new private sector investment in an affordable housing market.

Has planning contributed to unaffordable housing? If so, how?
Debates about the overall impacts of urban planning regulation on housing supply and affordability are underpinned by three main concerns. The first is that a failure to release sufficient amounts of new land for residential development results in a supply demand imbalance that contributes to house price inflation (RDC 2007). In metropolitan planning contexts this argument focuses particularly on the housing supply implications of urban containment policies, which seek to manage expansion on the fringe by intensifying development in existing inner and middle ringed areas already serviced by infrastructure and public transport (Beer 2004, Beer et al. 2007). It is argued that there is an inherent conflict between goals of housing affordability, which depend on an ample supply of housing, and goals of containment or growth management, which seek to limit the release of new land for development. On the other hand, in Australia’s context at least, the affordable housing shortage is most pronounced in high value inner city and coastal areas that by definition contain finite amounts of housing supply and development opportunities.

Land release policies and planning for housing supply in substitute markets
In general, the benchmark is that a supply of residential land for 10-15 years predicted growth in both established and outer urban areas is desirable to avoid artificial surges in price associated with supply shortages. More liberal land supply in outer locations could undermine these markets, discouraging investment in housing development as land owners wait for higher prices. At the same time, unlimited or liberal land supply regimes contribute to dispersed development which is expensive to service and degrades landscape and environmental values, by converting land that could be used for farming or conservation. Distance to work and services and dependency on the private car means more air pollution, traffic congestion, and social costs associated with long commuting times.

So, rather than diminish house values through a laissez-faire philosophy that is associated with other social and environmental costs, the proposition is advanced that it is more socially economically and environmentally responsible to use positive planning intervention to replicate the conditions found in
existing high demand locations. These conditions include high accessibility to services, education, employment and leisure opportunities, and a critical mass of population able to support a dynamic public domain – the prosaic ‘café society’ with street restaurants and lively retail precincts. Using strong planning and regional investment strategies to focus growth in key alternative metropolitan and non metropolitan locations provides an opportunity to create ‘substitute markets’, thereby taking the pressure off existing high demand areas.

**Removing barriers to developing low cost housing**

The second attack on planning is that planning requirements are too onerous or complex, and that the system is bogged down in red tape, leading to uncertainty and expensive delays (HIA 2003). Planning controls promote important community objectives, from basic health and safety standards to protecting environmental or cultural heritage. Nonetheless, planning controls sometimes deliberately or otherwise preclude lower cost forms of housing (Liberty 2003, Pendall 2000). Examples include explicit or obscured prohibitions on certain housing forms like group homes for people with a disability, boarding houses, manufactured housing and accessory dwellings, requirements for wide streets and excessive set backs and parking spaces, and landscaping or design requirements that make housing construction or alteration more expensive without compensatory life cycle or environmental savings (APA 1991, 1997, 2001, HUD 2005, Pendall 2000). Restrictive covenants applied by private developers on housing estates may also force more expensive housing forms.

All Australian states and territories have attempted to simplify their planning systems and controls in recent years, to reduce regulation applying to standard developments and to shorten the time taken to obtain planning approval (Gurran 2007b). However, there is likely to be much scope at the level of individual jurisdictions to simplify and remove unnecessary planning controls that preclude lower cost forms of housing.

**Funding for infrastructure**

The third accusation is that planning related charges and fees, particularly for compulsory infrastructure contributions, are excessive (PCA 2006). On this point it is difficult to generalise as each state, territorial and local jurisdiction has their own requirements for infrastructure contributions (Gurran 2007b). In general however, basic contributions towards local infrastructure and services facilitate development and contribute to the certainty needed for investment, so can actually further affordable housing objectives. The costs of compulsory infrastructure fees are not necessarily passed on to the house buyer either. For instance, if an infrastructure contribution added five per cent to the cost of producing a house or land package, the developer will pass on this cost if the market will accept it. On the other hand, if the buyer was ready to pay the additional five per cent the seller would likely price the house accordingly, irrespective of the lower production cost. In this scenario the seller profits but the buyer receives no additional value in terms of better infrastructure or services. If the infrastructure contribution is known at the outset, this can be factored into the value of the land at point of sale. In this case, neither the developer nor the house buyer (or owner builder) wears the cost.

However, a problem emerges if the infrastructure burden becomes more than a contribution towards the shared local services upon which new housing development depends. Attempts to shift more significant infrastructure funding to the development process may represent a real threat to future housing supply if the expected contribution threatens viability. One justification for increasing development contribution expectations in new release areas is that the increase in value associated with the conversion of the land from a rural to an urban use results in an unearned ‘windfall’ for the land owner. Adding an infrastructure contribution burden to the land provides a mechanism to share in some of this windfall for public benefit. If the contribution requirement is known before the sale of the land, again it is argued that the burden will not be passed on to developer or home buyers. This rationale underpins the approach to developer contributions, including affordable housing, which has long been used in the United Kingdom (discussed further below) (Monk et al. 2005).

In many parts of the United States, development contributions are collected as ‘impact fees’ – that is, fees determined to offset the impact of the development on the existing local community (Been 2005). Impacts could range from road, car parking or open space requirements through to the need for more low cost housing caused by a new employment generating development or even a new housing development likely to contribute to gentrification.
Across the Australian states and territories various policy rationales and tests are used to justify and calculate development contributions and strong variations exist even at the sub regional level (see Gurran 2007b pp 136-139 for a summary). While it is difficult to generalise across the jurisdictions it is fair to conclude that the mechanism of contributing to the shared costs associated with development remains sound but the scale of contribution needs to be carefully assessed in relation to the overall type of development and its likely impacts. For instance, if affordable housing is a clear planning goal, then well located development able to demonstrate a variety of housing opportunities should by definition attract planning incentives and modest or minimal development contributions might form part of these incentives. By contrast, development that is out of sequence with planned infrastructure provision or that contributes little to community goals of housing diversity or choice might attract a contribution premium to offset the costs of additional infrastructure provision. Additional development contribution expectations should be linked to significant favourable planning decisions, such as a rezoning or change in planning entitlement, provided in turn that these expectations do not discourage lower cost market housing provision.

**Affordable housing commitments and strategies for metropolitan Australia**

How do these broad planning issues relate to the affordable housing commitments for metropolitan New South Wales, Queensland, South Australia and Victoria? The following sections summarise each state in turn.

**City of Cities: Affordable housing and metropolitan planning in New South Wales**

Of all of the Australian States, New South Wales has the longest history of addressing affordable housing through planning legislation and policies. The *NSW Environmental Planning and Assessment Act 1979 (EPAA 1979)* (as amended) aims to promote and retain affordable housing (s5(a)(viii)), and permits plans made under the Act to include arrangements for “providing, maintaining and retaining, and regulating any matter relating to, affordable housing” (s26(d)), albeit within very tight prescriptions. The legislation enables planning authorities to enter into planning agreements with developers for any public purpose, which explicitly includes “the provision of (or the recoupment of the cost of providing) affordable housing” (s93F(2)(b)). As well as the overarching *EPAA 1979*, several legally enforceable State Environmental Planning Policies (SEPPs) seek to promote housing diversity and protect affordability, such as *State Environmental Planning Policy: Seniors Living (2004)*, which relaxes prevailing development controls for aged and disability housing and *SEPP 10: Retention of Low Cost Rental Accommodation*, which controls the demolition, alteration, change of use or strata subdivision of a low cost residential flat building or boarding house in the metropolitan area.

The *Sydney Metropolitan Strategy (2005-2030)*, completed in 2005, contains a broad combination of commitments and anticipated actions relating to affordable housing. These include minimising the construction costs and costs of serviced land; addressing affordability objectives in urban renewal planning; enabling the adaptation of existing dwellings for higher occupation; and ensuring that local planning schemes (‘local environmental plans’) provide for housing mix. The strategy also commits to identifying sites suitable for affordable housing projects; delivering a supply of land or dwellings for affordable housing providers; facilitating the use of negotiated planning agreements for affordable housing; enabling planning mechanisms for affordable housing within local plans, including inclusionary zoning; and developing guidance for the introduction of local density bonus schemes (from C4.1-3).

To date, few of these commitments appear to have been actively progressed or completed. However, some concession to affordable housing has begun to emerge in relation to major urban renewal processes involving the state government. For instance, the large scale and controversial Carlton United Brewery site redevelopment near Central Station, will include a voluntary planning agreement for a contribution of $23 million towards affordable housing, to be utilised in another urban renewal area of the city, Redfern Waterloo (which is subject to its own legislation and jurisdiction under the *Redfern Waterloo Authority Act 2004*) (DOP 2007).
South East Queensland regional planning commitments for affordable housing

Queensland’s Integrated Planning Act 1997 (IPA 1997) seeks to achieve “ecological sustainability”, including the creation and maintenance of “well-serviced communities within affordable, efficient, safe and sustainable development” (s1.3.6(c)). A State Planning Policy for Housing and Residential Development was released in January 2007. The policy emphasises local needs assessment frameworks, strategies to reduce barriers to housing diversity in local schemes, and ways to reduce land and building costs of housing by introducing graduated planning standards. The graduated standards establish different requirements for allotment sizes, private open space, and car parking in response to different housing forms, and this should reduce building costs for more modest dwellings. The Policy for Housing and Residential Development is supported by the Affordable Housing Design Guidelines (QLD DOH 2004) which establish approaches to planning, designing, and assessing proposals for affordable housing, which is defined broadly as “appropriate to the needs of low income households in terms of design, location and access to services and facilities”, and where “rent paid by households in the lowest 40% of income units does not exceed 30% of gross household income after any applicable Commonwealth Rent Assistance is deducted” (p. 2).

The South East Queensland Regional Plan (2005-2026) includes policies to encourage all major new development and redevelopment to incorporate affordable housing, including appropriate housing for the entry buyer and low-income housing markets; consider measures for providing and retaining affordable housing in Local Growth Management Strategies; consider affordable housing in decisions on the disposal or redevelopment of government property and surplus land; and ‘monitor housing prices, land availability and other factors which affect housing costs as part of an annual land monitoring program.’ (OUM 2005, p. 8.4.2-6).

Some of these commitments are reflected in the Queensland Housing Affordability Strategy released in mid 2007 (Queensland Government 2007). The strategy commits to the establishment of an Urban Land Development Authority by November 2007, which will ‘undertake land use planning, land amalgamation and acquisition, land improvement, development assessment and then on-sell land and development rights to private sector developers’ (p. 3). This on-selling is likely to include ‘conditions of sale to land to require a set contribution of affordable housing’ (p. 3).

Affordable housing targets for metropolitan Adelaide

The South Australian Government has developed several affordable housing initiatives. The Housing Plan for South Australia includes a target of achieving 15 per cent affordable housing, including five per cent high need housing within all new developments (Government of South Australia 2005). Amendments to planning legislation passed in January 2007 (The Affordable Housing Statutes Amendment Bill 2007) introduced explicit references to affordable housing in the State’s main Development Act 1993. The Act now aims to: ‘promote or support initiatives to improve housing choice and access to affordable housing within the community’ (s3(ea)). Development plans can provide for the provision of affordable housing within the community (s23(3)(a)).

The South Australian Affordable Housing Trust (SAAHT) will certify whether projects meet affordable housing targets, subject to criteria outlined in assessment guidelines prepared by the government, and an agreement will secure affordable housing commitments (Government of South Australia 2007). The guidelines permit the affordable housing element to be achieved through a number of approaches including: ‘design and construction of simple, high quality homes, resulting in a lower market value (smaller homes on smaller lots); innovative home financing, such as soft second mortgages, deferred land purchase, shared equity or subsidised financing options, which makes the sale price within reach of low and moderate income buyers’; and, ‘assignment of a restrictive covenant/agreement on the property title providing some control over the sale and resale price of the property.’ (Government of South Australia 2007, p 3). The agreement will require that the new affordable housing properties, which may be land or house and land, must be ‘sold, rented or leased to either a prospective homeowner who meets the eligibility policy maintained by Housing SA or a registered housing agency that is subject to an affordable housing facilitation agreement with the South Australian Government.’ (Government of South Australia 2007, p 4). The guideline also stipulates requirements for the design, sequencing and marketing of the affordable housing.
The Planning Strategy for Metropolitan Adelaide supports the South Australian Housing Plan targets of 15 per cent affordable housing within new areas, in all significant new housing developments (Government of South Australia 2006, p.82). The strategy includes commitments to ensure ‘land is made available for affordable housing, particularly for social housing agencies’; consider ‘affordable housing objectives in State and Local Government land disposals’; zone for ‘housing choice’; and to encourage ‘the inclusion of a range of affordable and high need housing, in terms of size, style and density, in areas accessible to public transport and close to employment opportunities, appropriate services and activity centres’ (Government of South Australia 2006, p. 82). The strategy also foreshadows the introduction of density concessions for projects meeting the 15 per cent affordable housing target and ensures that all areas ‘identified in the Residential Metropolitan Development Program for redevelopment and regeneration address the potential impact on the supply of affordable and high need housing’. While at the time of writing no projects had been finalised, it appears likely that many of these commitments will be demonstrated in large scale Greenfield development areas within the near future (Lawson, pers comm. 26/1/07).

**Melbourne 2030: Sustainable growth and housing affordability in metropolitan Victoria**

The metropolitan plan for Melbourne, *Melbourne 2030: Planning for Sustainable Growth* (DOI 2002), contains a commitment to “a fairer city”, including the supply of well located affordable housing, and more equitable distribution of social infrastructure (Policy 6.1). *Melbourne 2030* focuses on managing future growth by consolidating development around identified centres and transport nodes. Affordable housing strategies include monitoring supply and demand for affordable housing at local and regional levels, and disseminating examples of best practice in affordable housing provision (6.1.1); increasing the supply of affordable housing through joint programs with the Regional Land Corporation, the Office of Housing, local councils and non government organisations (6.1.2); and, a commitment to “change the policy that governs the disposal of government land and buildings to best use rather than the highest price achievable, and base the policy on responsible criteria” (6.1.7). Policies are to be implemented through local planning schemes.

Consistent with Melbourne 2030, the Victorian State Planning Policy Framework was amended in October 2006 to include a specific objective relating to the delivery of “more affordable housing closer to jobs, transport and services” (c16.05-1). This is to be achieved by land supply measures, increased housing diversity, lower cost housing design and greater provision of well located affordable and public housing, particularly in activity centres and strategic development sites (c16.05-2).

At the sub metropolitan level, regional housing statements articulate policies and collaborative strategies across groups of councils. For instance, the Inner Regional Housing Statement, which pertains to Melbourne, Port Phillip, Stonnington and Yarra Councils acknowledge local housing needs and in particular the need for affordable housing to support social diversity (Inner Region Housing Working Group 2005). These councils have subsequently developed a collaborative, regional model for affordable housing that will apply across the local government areas, although details of the model are not yet finalised (Spivak, pers comm. 23/3/07).

**From plans to action on affordable housing: learning from international practice**

There are several approaches used internationally that could inform the implementation of the emerging metropolitan planning commitments on affordable housing outlined above. Rather than detailing all of the approaches used in each of the jurisdictions, some of the distinctive elements in each jurisdiction that have resonance for metropolitan planning in Australia are identified.

**Removing the barriers to low cost market housing development in the United States**

A key focus of planning for affordable housing in the United States has been the removal of barriers to low cost housing production. Since the United States Department of Housing and Urban Development has promoted national awareness of ‘barrier removal’ strategies, which seek to reduce or remove regulatory requirements considered to contribute unnecessarily to the cost of housing to rent or buy (HUD 2005). Barrier removal strategies used in different parts of the United States include scrutinising proposed new laws for their potential impact on the cost of new housing production, an approach adopted in Illinois (HUD 2005). Some states, such as New Jersey and Massachusetts allow developers of affordable housing
relief from local planning laws if the local jurisdiction does not currently provide sufficient opportunities for affordable housing development, under so called ‘anti snob’ legislation (Davidson 2002, Russell 2003). A major initiative led by the Federal Government has been identifying and removing barriers to low cost housing, from restrictive planning controls through to cumbersome administrative requirements. A Regulatory Barriers Clearinghouse (www.huduser.org/rbc) has been established by the Department of Housing and Urban Development to provide examples of offending regulations and initiatives to remove them.

The other approach to encourage affordable housing development in the United States combines planning requirements with planning and financial incentives. Across the United States 24 states have legislation authorising or mandating local authorities to incorporate affordable housing within their planning schemes (Gurran et al. forthcoming). The most prevalent approach is ‘inclusionary zoning’, where a proportion of development within designated areas must be dedicated for affordable housing (in perpetuity or for a defined period). The amount of affordable housing required is usually 10-15 per cent, but this burden is offset by planning concessions, such as density bonuses, landscaping and car parking or contribution discounts. Additionally, the availability of financial incentives for investment in affordable housing, particularly the Federal Low Income Housing Tax Credit scheme, which offers tax credits for investment in affordable housing, has enabled the establishment of a strong not for profit and commercial affordable housing development sector in the United States. Although the net impacts of the scheme on overall housing supply is small, the combination of strong financial incentives with mandatory planning requirements for affordable housing development has maximised the leverage able to be realised from both planning and financial approaches (Malpezzi and Vandell 2002, McClure 2000).

National integrated policy framework and effective delivery system for affordable housing in the United Kingdom

In the United Kingdom, planning for affordable housing proceeds from a national framework which establishes affordable housing as a key policy objective, sets core requirements for new housing and affordable housing supply and establishes specific mechanisms to achieve these targets at local and regional scales (Monk et al. 2005, Whitehead 2007). The key mechanism is the capacity to secure contributions from developers for local infrastructure and services, including affordable housing, under section 106 of the Town and Country Planning Act 1990 (as amended by the Planning and Compulsory Purchase Act 2004). Section 106 contributions are often described as ‘planning gain’, because their collection is underpinned by the rationale that planning permission (which is never an automatic entitlement in the United Kingdom) confers private windfall value to the land owner and so should be shared for broader community benefit. A degree of certainty about the expected contribution is provided by the articulation of housing targets through detailed local planning, and the final contribution reflects a negotiated amount based on the overall viability of the proposal and the availability of additional subsidy for affordable housing development under the Social Housing Grant.

While the negotiated process used in the United Kingdom is lengthy and lacks some certainty, it is argued that negotiation enables each proposal to be considered individually, thus maximising the potential affordable housing contribution and retaining development viability. For instance, targets for affordable housing development are typically 35 – 50 per cent for parts of inner London and about 35 per cent for other high growth areas of England (Williams, pers comm. 25/7/07). These targets are achievable because they are known up front and prior to the acquisition of the land; capital funding to support social housing development under the Social Housing Grant is relatively accessible; and because of the high market value of non subsidised housing component of the development.

Further, the effective “delivery infrastructure” of experienced not for profit housing associations and developers is critical to taking up the affordable housing opportunities achieved through the planning process in England. These affordable housing developers now have a sufficient asset and revenue base to secure substantial private loans and are able to apply for the Social Housing Grant for affordable housing development. The scale of the not for profit sector and the availability of the Social Housing Grant means that new housing development can continue despite surges and falls in market activity, thus helping to stabilise housing supply and ensure that a significant component of permanent affordable housing continues to be produced. Stabilising and significantly increasing new housing supply has become an important objective of planning and housing policy in the United Kingdom (Barker 2004, 2006, HM Treasury 2005). For instance, the United Kingdom 2007 housing policy green paper Homes for the
future: More affordable, more sustainable, outlines an ambitious housing supply target of 240,000 new homes per year (up from 185,000 per year) with over 60 per cent of these to be located within existing urban areas. The government has set a target of at least 45,000 of these new homes per year being for social housing (19%) and has committed to significant increases in funding over successive years to 2011 to support this goal, among other reforms (Department for Communities and Local Government 2007).

Achieving mixed communities and supporting housing investment in Ireland

Responding to an escalating housing boom and affordability crisis, in the year 2000 the Irish Government introduced requirements for mixed tenure development in new housing estates. Under Part V of the Irish Planning and Development Act 2000 (PDA 2000), local authorities must require 20 per cent of residential land to be used for social and affordable housing, to be provided by developers as a condition of planning approval (Williams 2005). The Act enables developers to transfer the specified proportion of dwellings, land or sites to local authorities in return for compensation “at the level of the existing use value (in the case of land), development costs (in case of sites) and reasonable profit (in case of houses)” (Norris 2006, p.200). Developers might also choose to meet affordable housing commitments through a cash contribution or the provision of dwellings, land or housing sites in alternative locations (Williams 2005). Within a relatively short period of time the mechanism has enabled the creation of mixed tenure residential developments, reducing socio-spatial segregation, and ensuring new social and affordable housing providers are able to access land without needing to compete in the open market. In the year 2005 over 900 new affordable housing units were achieved, up from 374 the previous year, suggesting that the approach has begun to gain momentum (Brooke 2006).

Securing land for affordable and social housing in the Netherlands

In the Netherlands the provision of affordable housing has long been shaped by spatial planning policy and practice. The difficulty and high costs associated with assembling and servicing land in Holland, particularly the need for drainage works in the rapidly urbanising west of the country, has meant that local government, rather than the private sector has traditionally taken the lead in land development (Boelhouwer and van der Heijden 1992). Around 80 per cent of land for development was provided by municipalities between the mid 1940s to the early 1990s (Needham et al. 1993). At the same time, the Dutch government subsidised the construction of new housing in response to a period of rapid growth and persistent housing shortages. In addition to their spatial planning responsibilities, local municipalities provided much of the serviced land and distributed subsidies for new housing, particularly social rental housing. Large not for profit housing associations developed close relationships with the municipalities and were able to access designated sites for social housing at ‘residual’, rather than market value. That is, municipalities were prepared to accept sub market prices for land they procured provided that social goals were met, and so the price of land for social housing was established once construction costs, desired rent levels, and available subsidies were taken into account. Higher land prices were charged to private developers as a way of cross subsidising social housing provision. This resulted in the development of a significant low cost housing sector spatially integrated with other housing across metropolitan and regional areas (Milligan 2003).

Since the 1990s subsidies for social housing construction have fallen and there is a new emphasis on home ownership and private sector involvement in housing land development. Municipalities will use their regulatory planning powers to shape housing outcomes, rather than directly intervening in the development process. However, to ensure continued access to sites for social housing, a new Dutch Spatial Planning Act will enable municipalities to directly designate areas for social housing. The Act will also enable municipalities to charge developers for infrastructure contributions but at differential rates to minimise costs of affordable housing development (Gurran et al. forthcoming).

Summary

In summary, some common lessons emerge from this brief review of international practice in planning for affordable housing. Firstly, planning approaches alone do not provide an alternative to capital funding for subsidised affordable housing development (Whitehead 2007). However, effective planning can reduce barriers to new housing supply, as shown in the case of the United States (HUD 2005, Libery 2003, Pendall 2000). Proactive planning for affordable housing can also secure land on an ongoing basis for the affordable and subsidised housing sector, and maximise the value of capital investment in housing.
assistance, as demonstrated particularly by the examples of the Netherlands, the United Kingdom and Ireland (Monk et al. 2005, Norris 2006). Similarly targeted government investment in or incentives for subsidised affordable housing (for instance the low income housing tax credits in the United States and the Social Housing Grant in the United Kingdom) is likely to provide a way of securing investment in housing and so help low cost market housing outcomes, provided this occurs at sufficient scale.

Conclusion
The discussion is now summarised in relation to the three questions posed at the beginning of this paper.

In what ways, if any, has urban planning contributed to the affordable housing shortage in Australia’s metropolitan regions, and could it contribute to the solutions?
Working optimally, the planning system plays an important role in creating efficient, environmentally and socially sustainable and economically prosperous communities where people want to live. It has a critical role in ensuring housing supply across all markets, and especially where demand is greatest. This means freeing up housing opportunities in established areas of high demand and creating substitute markets through proactive, concentrated growth strategies. Barriers to housing development in areas of high demand and in preferred growth areas must be dismantled, subject to environmental and social safeguards. The objective is to enable as diverse a range of housing as possible in as many areas as possible, with simple, efficient decision making processes and the right incentives to facilitate low cost market housing – from student accommodation to seniors housing, contemporary boarding houses, modest apartments, villages and townhouses. Basic mechanisms for contributing to local infrastructure are sound and additional contributions reflecting windfall gain as a result of favourable planning decisions (or offsetting development impact) may also be justifiable within a clear policy framework. Whatever contributions are sought must be in scale with the overall value of the development and able to be determined prior to land acquisition or planning change. State and regional infrastructure require dedicated investment and in most circumstances it is neither likely nor desirable that this investment can be funded through the development process.

What are the affordable housing commitments in metropolitan plans for Adelaide, Brisbane, Melbourne and Sydney?
The metropolitan planning commitments to affordable housing in the sample of strategies reviewed here focus on facilitating and monitoring land and housing supply, enabling affordable or lower cost housing design, the use of government land in conjunction with affordable housing, and, to some degree, supporting the introduction of inclusionary zoning provisions or other planning requirements and concessions. These commitments, at varying stages of implementation, are broadly consistent with the potential applications of the planning system for affordable housing outlined above, and demonstrated in relation to the international jurisdictions as discussed below. Where these commitments are likely to fail is in the lack of any significant supporting framework for their implementation. With the exception of Adelaide, no strategy defines targets for affordable housing delivery. Without clear targets for meeting affordable housing objectives, let alone legislative support for the use of specific affordable housing mechanisms, from inclusionary zoning through to a clear requirement for affordable housing contributions during major redevelopment processes, it is unlikely that the current strategies will result in any significant new affordable housing outcomes on the ground. Further, although the strategies promote new development in well located existing urban areas, consistent with the goal of increasing supply in places of highest demand, the actual processes of rezoning and redevelopment necessary to achieve these goals depend on local government, and local community, cooperation. In NSW and Victoria, where many local government authorities comprise the metropolitan area, and there are no established structures for regional coordination or governance, such cooperation will often be difficult to achieve. The emergence of regional housing collaborations in Victoria is a promising beginning, although it is premature to evaluate their likely effectiveness.

What can we learn from international practice to help implement emerging commitments for affordable housing in metropolitan Australia?
Historical, institutional and legal differences limit the potential to directly adopt strategies used internationally but there are several approaches that should inform and inspire the further development of emerging practice in Australia’s metropolitan areas. Firstly, the concept of ‘barrier removal’ as demonstrated in relation to the United States has significant potential in Australia, particularly at the local level where certain planning controls or processes may inadvertently discourage lower cost housing
forms. This is likely to be a particular issue within high value and high demand established inner city areas, where new housing supply is often a priority. Within the context of metropolitan planning, clear metropolitan policy objectives of housing diversity and lower housing production costs should underpin reviews of existing and proposed planning schemes by local authorities and state governments.

Secondly, the national policy framework, affordable housing supply targets, strong delivery systems and capital funding for social housing all combine with strong planning requirements in the United Kingdom to achieve impressive affordable housing outcomes and socially mixed communities, even in the highest value areas of London. There is considerable potential to enhance the affordability commitments expressed in Australian metropolitan plans by defining affordable housing targets and planning requirements, and matching these with dedicated funding, incentives or other forms of assistance for affordable housing development, as being demonstrated now in metropolitan Adelaide.

Thirdly, the inclusionary provisions used in Ireland to require 20 per cent of new housing to be affordable are offset by guaranteed compensation for developers and thus function to underpin development viability. This approach not only contributes to the goal of socially mixed communities, but also has broader supply benefits by making housing investment more certain. While significant capital funding or other financial incentives would be needed before the approach could be used at this scale in Australian cities, even a more modest affordability target could facilitate lower cost access to well located areas for social or affordable housing providers, thus maximising leverage of their existing funds. Within a metropolitan planning framework, this should be achieved by identifying areas or sites for affordable housing inclusion, at the time of rezoning or planning change to permit new or higher density residential development.

Fourthly, the traditional use of government land in the Netherlands to secure affordable housing development provides a long established model for operationalising the commitments contained in Australian metropolitan plans regarding disposal of government land. The model is not difficult to understand, however, a significant cultural shift away from the need to achieve market values for land (ironically meaning the government itself profits from house and land price inflation) towards softening price inflation by facilitating a ready supply of low cost housing options, with the lower land price offset by the achievement of social objectives. Metropolitan planning in Australia can facilitate this shift by identifying significant government sites as part of the initial planning process or ongoing monitoring of land and housing supply. Finally, as demonstrated across all of the jurisdictions reviewed here, government investments in or subsidies for affordable housing are maximised when combined with planning mandates. Thus, while the planning system cannot replace the need for subsidy and financial incentives in relation to affordable housing, particularly for the lowest income groups, it can provide significant additional leverage by lowering production costs, freeing up development opportunities, and securing ongoing access to land for dedicated affordable housing stock.

At a time when the development and housing industry seems stridently critical of the planning system and its potential contribution to housing affordability problems, it is promising to observe commitments towards affordable housing in key Australian metropolitan plans. While some of these commitments appear to be loosely defined and difficult to implement, their inclusion in Australian metropolitan strategies represents a new attempt to ensure that the broad planning goals of environmental sustainability, growth management, and economic progress are balanced with the need for social equity in urban and regional development.

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