

# AFFORDABLE HOUSING NATIONAL LEADING PRACTICE GUIDE AND TOOL KIT

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# INTRODUCTION

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Access to appropriate and affordable housing is central to the wellbeing and economic prosperity of the whole community. Improving housing affordability in Australia's cities and regions is an important goal. While national and state planning policies and initiatives are required to help address the issue, the diversity of housing needs and varying local housing market conditions mean that affordable housing strategies and their implementation often need to be locally driven.

## HOW TO USE THE LEADING PRACTICE GUIDE

The *Affordable Housing National Leading Practice Guide and Tool Kit* (the *Leading Practice Guide*) has been developed as a resource to help State housing, planning and local government practitioners and other key stakeholders work in partnership with private and not-for-profit developers to help provide affordable housing through the planning system.

The *Leading Practice Guide* aims to:

- provide examples of the strategic frameworks and policy approaches needed to support the effective delivery of affordable housing through the planning system;
- provide a 'tool kit' of planning mechanisms for affordable housing suitable for different urban and regional contexts and market conditions;
- provide local and international examples to illustrate leading practice in delivering affordable housing through planning mechanisms;
- promote nationally consistent principles, terminology and mechanisms, including:
  - consistent use of the nationally agreed definition of affordable housing and target groups
  - uniform terminology for describing planning approaches for affordable housing in Australia
  - greater commonality and shared practice across the Australian states and territories, which assists the development industry who often operate nationally
  - cost efficiencies and economies of scale in skill and resource development.

It brings together the existing work on planning for affordable housing, providing a common point of reference to more detailed resource kits. It will also help users to choose the approaches best suited to their specific contexts by setting out the advantages and limitations of particular planning mechanisms relative to various housing market and development environments.

The *Guide* does not dictate a single or particular approach. Rather, it identifies national and international examples of leading practice in designing state planning

systems and implementing specific planning mechanisms that support the creation of affordable housing at regional, local or project level.

The *Leading Practice Guide* is intended for a broad target audience: state, territory and local policy-makers, council planners, elected government officials, non-government organisations and other stakeholders.

It also considers affordable housing's supporting frameworks, including financing sources, programs available and management options for affordable housing once delivered.

Several states have recently developed housing kits designed to help local government assess local housing need and develop affordable housing strategies. They provide practical advice on using planning instruments and mechanisms to facilitate the process. The *Leading Practice Guide* will refer to this work, rather than reproduce it, focusing on identifying the essential elements of a leading practice approach to supporting affordable housing provision. The sections of the *Leading Practice Guide and Tool Kit* are outlined below.

### **Section 1: The planning environment and affordable housing**

- The statutory and policy context for planning in Australia, and its bearing on affordable housing objectives
- Leading practice in establishing planning systems that facilitate affordable housing.
- Use it to... understand the role of the planning system in providing affordable housing, how it fits with a range of other levers, and the importance of consistent promotion of affordable housing in plan making and development assessment across state, regional and local scales.

### **Section 2: Housing needs analysis**

- National terminology, including the description of affordable housing and target groups for housing provision agreed by the NAAH
- A standard method of conducting housing needs analyses at local and regional levels
- Leading practice in undertaking housing needs analyses for affordability.
- Assessing housing stress.
- Use it to... analyse local or regional housing needs, source relevant data and develop broad affordable housing strategies.

### **Section 3: Choosing the right planning mechanisms**

- Outlines the range of planning mechanisms for affordable housing and establishes a uniform terminology for defining these approaches
- Housing market and development circumstances in which each approach is most likely to be effective, drawing on national and relevant international examples
- Leading practice in selecting planning mechanisms for affordable housing action at local or regional levels.
- Use it to... choose locally or regionally appropriate planning mechanisms to help deliver affordable housing.

### **Section 4: Affordable housing delivery systems**

- The supporting framework for affordable housing in Australia, including programs to finance and manage affordable housing
- Leading practice in selecting a delivery system for local or regional affordable housing programs.
- Use it to... source ideas about financing and managing affordable housing.

### **Section 5: Information sources**

- A summary of useful resources
- Use it... as a quick reference guide, and to seek out further information.

## BACKGROUND TO THE LEADING PRACTICE GUIDE

### Framework for National Action

In August 2005, a joint meeting of state, territory and Australian Government Ministers for Housing, Local Government and Planning and the President of the Australian Local Government Association noted the initiatives being taken in individual jurisdictions to improve the supply of affordable housing.

Acknowledging the significant issues facing all governments in the provision of affordable housing, including market forces of supply and delivery, the meeting agreed to adopt a **Framework for National Action on Affordable Housing** (NAAH).

In adopting this framework, Ministers agreed to develop initiatives and to implement a range of actions over the next three years aimed at addressing a predicted shortfall of affordable housing.

As part of this work, a *National Approach to Use of Planning Mechanisms for Affordable Housing* was developed, setting out a national definition of affordable housing, the key principles and components of planning systems that support affordable housing approaches. The NAAH also committed to audit existing state and territorial progress against this work regularly.

### A nationally-agreed description

The Framework for National Action on Affordable Housing describes affordable housing as:

- appropriate for the needs of a range of low and moderate-income households; and
- priced so that households are able to meet other essential basic living costs.

This description recognises affordable housing across all tenures, including home ownership, private rental as well as public rental. Section 2 discusses this description in greater detail, and provides indicative price benchmarks.

### Guiding principles

1. Adequate housing is a crucial part of supporting sustainable communities.
2. Housing diversity objectives and outcomes (including affordable housing) should be accommodated within the planning framework alongside objectives and provisions relating to the physical, natural and cultural environment; and should be clearly supported by housing markets and housing needs analysis.
3. Any provisions incorporated in legislation or planning instruments should relate to matters that can reasonably and legitimately be addressed through the planning system. The use of specific planning instruments to promote affordable housing should be clearly supported in the planning legislation of the relevant jurisdiction.

4. A national framework should identify those components of a planning system that could be used to efficiently advance affordable housing outcomes. These should be capable of simple administration.
5. The framework should allow each jurisdiction to consider and determine how the elements of the National Framework will be accommodated and implemented.

## Key components of a national approach

1. **Principles** – Commitment to the guiding principles outlined above.
2. **Effective planning systems** – Comprehensive and robust planning systems that deliver a sound environmental management framework and ensure efficient approval processes.
3. **Affordable housing objectives** – Incorporation of affordable housing objectives within relevant planning instruments and strategies.
4. **Supporting the use of planning mechanisms** – Inclusion of provisions empowering and supporting the use of the planning framework and specific planning mechanisms to promote affordable housing.
5. **Tool box for local government and other practitioners** – Information, guidance and other resources to support the development and implementation of planning measures that encourage and protect affordable housing covering:
  - *Terminology*—definition and explanation of key terms
  - *Planning mechanisms*—approaches, applications and examples
  - *Packaging affordable housing incentives*—advice on using planning approaches in combination with financial incentives and other support
  - *Supporting framework*—links to information and support on implementation, including housing management options.

## Commitments under the National Framework

Under the Framework, Ministers committed to a three-year program of work, agreeing to:

- create a National Sector Development Plan for not-for-profit housing providers, which will enable them to participate in large scale affordable housing initiatives
- adopt a national approach to defining and analysing affordable housing need at geographic levels, which is reflected in planning policy and regulations and provides comparable standards of affordability
- review current housing subsidy streams and investigate the potential to strengthen the certainty of these in the light of the commitment to increase the role of the private sector and the development of the not-for-profit sector in delivering affordable housing

- identify mechanisms and policy initiatives that will deliver increased affordable home ownership and rental opportunities for low to moderate income households.
- The second of these four key commitments calls for the planning systems of the states and territories to support affordable housing provision; this *Leading Practice Guide* is one of the agreed means of implementing this commitment.

## AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES

Housing is critical to meeting basic human needs for shelter, security and a sense of connection with communities. It is also linked with the success of those communities in a broader way. The availability of a suitable range of housing contributes to the community's ability to function in an efficient, equitable, prosperous and sustainable manner. A mix of appropriate and affordable housing is needed to accommodate community diversity within existing, and planned communities. Diverse communities, in turn, play a critical role in maintaining social cohesion, supporting local economies and sustaining a range of local services and businesses.

A shortage of affordable accommodation limits the ability of a local area or region to attract essential workers to maintain services such as transport, medical support facilities, schools, local council utilities and childcare, to name a few. Similarly, a variety of housing types, tenures and costs is required to achieve the concentration and diversity of people needed to support a full range of local services and facilities.

More important still is the contribution of housing to community cohesion. Without a suitable range of housing, some households or whole segments of the community may be forced to move elsewhere if their needs or financial position change. Impacts may fall, for example, on young people leaving home, couples starting a family or older people whose existing accommodation is no longer suitable. In the same way, a lack of housing diversity can work to exclude entire sections of the population from particular locations. This leads to spatial concentrations of disadvantage and the polarisation of society.

At a more individual level, housing and its accessibility are also strongly linked to people's ability to meet their basic human needs and to pursue goals in their lives, whether related to family, work, education, recreation or other areas.

In summary, a shortage of affordable housing—including affordable rental housing—represents a constraint on economic growth and a barrier to the economic and social participation of individuals and families. So affordable housing is an important consideration at every stage of the planning process—from the design of new residential development or redevelopment areas, through to managing processes of change within long-established neighbourhoods.

## WHO IS RESPONSIBLE FOR AFFORDABLE HOUSING?

No individual reform is sufficient to address housing affordability. A range of levers to improve housing affordability exist, operating across the three tiers of Government. Each level of government has different roles in housing and housing assistance in Australia.

The Commonwealth Government provides Commonwealth Rent Assistance (CRA) and shares responsibility with state and territory governments for housing assistance provided under the Commonwealth State Housing Agreement (CSHA). CRA is a non-taxable income supplement payment added on to the pension, allowance or benefit of eligible clients who rent in the private market. The multilateral CSHA is a five-year agreement (from 2003–04 to 2007–08) between the Commonwealth and state and territory jurisdictions to set objectives and funding levels for national housing assistance. Under the new federal government, discussions are proceeding around the concept of a broader National Housing Agreement which would replace the CSHA.

The Commonwealth also influences the housing market through direct and indirect means, including taxation and home purchase assistance.

The main housing responsibilities of governments at the state and territory level are:

- ensuring an effective supply in response to housing demand, that is, an effective and diverse supply of well-located land and associated infrastructure for housing in both established and greenfields areas; and
- assisting households with high housing needs who are not adequately supported by Commonwealth rental assistance.\*

The Council of Australian Governments (COAG) met in December 2007 and identified housing as one of seven key areas for its 2008 work agenda. All governments agreed to progress a housing work program that includes improving housing affordability for home buyers and to ease rental stress, particularly for low to moderate income households. It was also agreed to negotiate a new National Housing Affordability Agreement, which builds on previous agreements and includes housing for indigenous peoples.

State and territory governments currently provide housing assistance under the CSHA (for the homeless, public housing, community housing, Aboriginal rental housing, private rental assistance and home purchase assistance). Some also contribute to the delivery of housing assistance through mechanisms such as home lending programs and joint ventures with the private sector. State and territory governments are also responsible for land taxes, stamp duties and residential tenancy legislation.

State and territory planning systems should facilitate a range of housing outcomes including the provision of affordable housing. A land-use planning system that actively supports the provision of affordable housing helps to ensure a diverse mix

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\* P. Abelson (2007) 'Affordable Housing: Some observations on concepts and policies', unpublished paper.

of housing responding to the range of household needs. To provide that support, there is a need for:

- planning instruments that support affordable housing and the inclusion of affordable housing targets (for market and social housing) in significant development schemes
- an efficient planning system delivered through progressive reform of development assessment practices and the forward planning system.

Councils actively affect housing outcomes through their social planning activities, as well as their role in encouraging economic development, and by the preparation of planning schemes, building and planning regulation and local infrastructure provision.

The *Housing Affordability Fund* and the *National Rental Affordability Scheme* are 2007 federal election commitments made by the Commonwealth Government.

The Housing Affordability Fund was established with an investment of \$512 million to be spent over five years in order to lower the cost of building new homes. The Fund will make housing more affordable by addressing two significant supply-side barriers to housing development:

- holding costs incurred by developers and home purchasers through lengthy planning and/or development assessment processes
- infrastructure costs, such as water, sewerage, roads, open space and community facilities, which are incurred variously by local and state governments, often passed on to developers and in turn to buyers of new homes.

The Fund will be established on 1 July 2008 with funds distributed through funding agreements, primarily to local governments.

The Commonwealth Government has also established a National Rental Affordability Scheme to fund tax incentives for investors to build up to 100,000 new affordable rental properties. Under the scheme the Commonwealth and state and territory governments will provide subsidies in the form of a tax credit to institutional investors for ten years who construct new affordable rental housing for income eligible households at a rent which is at least 20 per cent below the market rate in the area. Some \$623 million would be available nationally in the first five years. It is estimated that this would lead to 50,000 new rental dwellings across Australia.

In March 2008, the Prime Minister announced an expansion to the Scheme, with a commitment that if 50,000 new homes are achieved by June 2012, and if the market demand from renters and investors remains strong, an additional 50,000 incentives for new affordable rental dwellings will be available from July 2012 onwards.

In particular this will assist where planning instruments seek the provision of affordable housing as private sector developers will be able to attract institutional investors to purchase the affordable housing produced. The Federal government has announced the scheme will be also be available to not-for-profit community

housing providers (who have charitable status and do not pay tax) in the form of a refundable tax credit essentially a grant.

Section 4 on Delivering Affordable Housing (page 85) has more details about the Housing Affordability Fund, the National Rental Affordability Scheme and the expanded role of community housing providers in providing affordable housing.

The private sector is responsible for most new housing development, so is potentially a major partner in the delivery of housing that is affordable to low and moderate-income households. Non-government community housing providers and advocacy groups also play an important role in responding to affordable housing needs by raising awareness and proposing policy solutions to affordability problems, and in many cases by helping to develop and manage affordable housing for low and moderate-income households.

## THE PLANNING SYSTEM AND AFFORDABLE HOUSING

While the provision of affordable housing is significantly affected by economic and financial factors outside of the planning system, planning nevertheless has an impact on the market-based system.

The land-use planning process can influence the supply and range of housing produced both in new development and redeveloping areas. Planning Ministers agree that planning and providing for affordable housing using planning mechanisms is an important contributor to sustainable communities based on the ‘triple bottom line’ approach to sustainability, by supporting economic, environmental and social objectives.

In isolation, the planning system is neither the cause of nor the answer to affordable housing problems. Many factors have been associated with the recent rise in house prices in Australia’s cities and regions, including:

- population and household growth leading to the need for more houses
- emphasis on housing as a form of investment
- state and federal government policies supporting first home ownership, such as first home buyer grants and negative gearing taxation provisions
- the increased capacity to pay associated with low interest rates, financial deregulation and easier access to finance, as well as greater participation of women in the workforce and associated shift towards dual income households
- spatial concentration of the population in primary capital cities and some coastal regions, where there are inherent constraints to land and/or housing supply.

In other words, there are a whole range of factors that shape housing outcomes, including planning itself. The planning system does this by regulating the supply, type, size and features of new housing through the development requirements and opportunities created by planning instruments and approval processes. These in turn influence the costs of production. Infrastructure planning, funding and pricing policies affect service levels and the quantum of development contributions.

Strategic planning also plays a vital role in shaping housing outcomes, not only in terms of providing opportunities for future supply, but also in influencing access to transport, jobs and services, and ensuring efficiencies in the provision of supporting infrastructure.

Controlling and influencing housing supply and form has long been a recognised part of planning in Australia. What has changed in recent years, however, is the growing awareness and acceptance of the benefits of using the planning system actively as one way to encourage better housing outcomes for local communities—including the facilitation of a range of appropriate and affordable housing to meet current and future needs.

This shift has come as a result of the combination of two factors. One is mounting concern about deteriorating housing affordability in Australia and the emerging geographic divide between rich and poor, accompanied by worsening disadvantage for lower income groups concentrated in particular locations. The other is the growing awareness of the potential contribution of the planning system that has been gained from looking at overseas practice and the operation of some specific affordable housing initiatives within Australia.

International experience in using planning mechanisms for affordable housing indicates that planning mechanisms do not replace the need for dedicated funding for housing assistance, or for financial incentives to encourage investment in a low-cost housing sector.\* However, planning levers can maximise the outcomes of government expenditure on housing assistance and complement other financial or subsidies to support affordable housing development. In particular, planning mechanisms for affordable housing have proved crucial in securing and containing the price of land for affordable housing and achieving the broader goal of socially mixed communities.

## The impact of land-use planning decisions

Planning decisions shape the location and availability of land for new housing, the design and configuration of new housing, and the timing and costs of residential development.

The planning system has the potential to contribute to the provision of affordable housing by:

- enabling an efficient supply of land for housing for a broad range of residential densities and opportunities;
- encouraging housing type and diversity at different price points to meet different housing needs;
- facilitating residential development at locations with good access to services and facilities
- protecting existing or requiring the replacement of affordable housing stock where redevelopment of that stock takes place.

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\* N. Gurrán, V. Milligan, D. Baker and L.B. Bugg (forthcoming) *International Practice in Planning for Affordable Housing: Lessons for Australia*, Australian Housing and Urban Research Institute, Melbourne.

Recognising the relationships between planning and the availability and cost of housing, affordability outcomes should be considered at every stage of the planning process – from identifying residential land through to setting development controls, and assessing particular developments against these controls.

In summary, it is important to ensure that affordable housing objectives underpin overall planning objectives at state and territorial level as well as at regional and local scales. This means:

- addressing any regulatory or systemic deficiencies in planning systems that make housing more costly to produce
- reducing constraints to the supply of residential development, within established ‘infill’ or appropriate new ‘greenfields’ areas
- offsetting impacts of development processes, particularly large scale urban renewal and redevelopment projects, on the availability of low-cost housing
- ensuring that planning systems provide for greater housing diversity to achieve social mix and to support economic prosperity
- enabling planning authorities to use planning mechanisms to facilitate new affordable housing for low and moderate income people.\*

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\* N. Gurran *et al* (forthcoming), *ibid*.

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# 1: THE PLANNING ENVIRONMENT AND AFFORDABLE HOUSING

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## ***This section***

- explains the statutory planning environment in Australia and its relationship to affordable housing
- describes leading practice in planning systems' support for affordable housing at state, regional and local levels

Australian local governments exercise their planning powers within the broader context of state and territorial governments' legislation and policies.

## A SUPPORTIVE LEGISLATIVE AND POLICY ENVIRONMENT

While they differ across jurisdictions, in broad terms planning systems for affordable housing should observe the principles that underpin the National Framework:

1. Adequate housing is a crucial part of supporting sustainable communities.
2. The use of specific planning instruments to promote affordable housing should be clearly supported in the planning legislation of the relevant jurisdiction.
3. A National Framework should identify those components of a planning system that could be used to efficiently advance affordable housing outcomes. These should be capable of simple administration.
4. The Framework should allow each jurisdiction to consider and determine how its elements will be accommodated and implemented.

Supportive legislation and policy at state, regional and local levels is needed to promote affordable housing through the planning system. The *National Approach for Use of Planning Mechanisms* emphasises that the use of planning instruments to promote affordable housing should be clearly supported in planning legislation, and that any provisions incorporated in such legislation or planning instruments should relate to matters that can reasonably and legitimately be addressed through the planning system.

Leading practice in achieving a supportive legislative and policy environment for affordable housing is outlined below.

## **Planning objectives establish affordable housing as a key aim**

It should be clear that affordable housing is a significant and legitimate planning objective (consistent with the principles outlined above) to be considered when new land use plans are made and when development proposals are assessed. Planning objectives relating to affordable housing also support systemic improvements that seek to remove unnecessary impediments to affordable housing production, like insufficient supply of residential development opportunities in established or new release areas, delays or uncertainty in securing planning approval and excessive development controls, fees or charges.

Planning objectives for affordable housing should be contained in state planning legislation, in relevant state and or regional policies or plans, and in planning instruments applying to specific local government areas or sites. Affordable housing objectives provide the necessary policy framework for interpreting planning legislation and instruments and for implementing specific planning mechanisms.

## **Planning legislation enables a range of planning mechanisms**

In addition to ensuring that affordable housing objectives are enshrined in state planning legislation and policy, it may also be necessary to explicitly enable the use of specific planning mechanisms to protect existing supplies of affordable housing, encourage new affordable housing provision, or require contribution to or inclusion of affordable housing supply. These mechanisms and the contexts in which they are likely to be effective are discussed further in Section 3 (page 47).

## **A framework is provided for assessing housing need**

Assessing the kind and extent of housing need within a particular area is crucial for designing appropriate responses to meeting this need. For instance, this assessment can help to determine the amount of new residential development opportunities that will be required over time, the design and configuration of this housing and the types of planning mechanisms that are likely to be most suited to meeting this need. If the methodology used to assess this need is consistent with that used in at regional, state or national level, it will provide a basis for local governments to collaborate across administrative boundaries. Consistency in needs assessment methodologies validates and justifies key findings.

One of the important principles associated with using planning mechanisms to generate new affordable housing through incentives or requirements for development contributions, for example, the capacity to demonstrate that there is a need for affordable housing in the area where the incentive is given or contribution is sought, or that the development itself contributes to affordable housing requirements. When consistent methods for establishing housing need and determining contribution requirements are in place and used consistently they are much more likely to be supported by developers or in case of legal dispute.

## Affordability is promoted across state, regional, and local scales

A hierarchy of state, regional and local planning requirements and objectives exists within most Australian planning jurisdictions. When state planning legislation or policy, or a metropolitan or regional plan, seeks to promote affordable housing, it is usually implemented through local planning instruments or decisions. Clear links between state, regional and local planning objectives for affordable housing will strengthen implementation in local plan making and development assessment.

Increasingly, state planning authorities are assuming responsibility for significant development projects or areas. In these cases, it is important to achieve consistency in upholding objectives for affordable housing, for instance, by negotiating for an appropriate level of affordable housing contribution as a condition of planning approval.

## THE REGULATORY CONTEXT

Each state and territory has their own legislation for land use planning. This legislation establishes the broad scope of planning across the state or territory – from the overarching objectives through to arrangements for plan making and development assessment.

The NAAH *National Approach for Use of Planning Mechanisms* states that ‘The use of specific planning instruments to promote affordable housing should be clearly supported in the planning legislation of the relevant jurisdiction.’ It notes that:

...provisions incorporated in legislation or planning instruments should relate to matters that can reasonably and legitimately be addressed through the planning system.

It may also be necessary to establish clear provisions to enable the use of specific planning mechanisms or tools that protect existing sources of affordable housing or generate new affordable housing stock. This is important if there is legal uncertainty about the use of such mechanisms (for instance, collecting contributions from developers to pay for new affordable housing). Establishing specific provisions for affordable housing in state legislation can also provide a more transparent way of managing approaches beyond the formal planning process itself (for instance, negotiated contributions for affordable housing).

### **PRINCIPLES OF LEADING PRACTICE**

#### ***Legislation and policy***

A leading practice legislative and policy environment for affordable housing will:

- articulate relevant planning objectives to establish affordable housing as a fundamental aim or object of planning processes and decisions

- ensure that planning legislation enables the use of a range of planning mechanisms, so that those most appropriate to the circumstances can be selected
- include provisions that extend beyond the formal planning process itself (such as referrals for the negotiation of affordable housing)
- ensure provisions relate to matters that can reasonably and legitimately be addressed through the planning system
- use a clear and consistent framework for assessing housing need at local government and regional or sub-regional level
- be consistent across state, regional, and local scales in promoting affordable housing in plan making and development assessment
- accommodate housing diversity objectives and outcomes (including affordable housing) alongside objectives and provisions relating to the physical, natural and cultural environment
- ensure planning policies support housing density targets in high amenity areas
- ensure objectives related to the environment, conservation, sustainability, public safety, housing quality and amenity are not compromised.

## **LEADING PRACTICE EXAMPLE**

### ***South Australian Development Act***

Following the passing of the *Statutes Amendment Affordable Housing Act* in June 2007, the overall objectives of the *Development Act (1993)* include an objective to promote or support initiatives to improve housing choice and access to affordable housing within the community (3ea). Affordable housing is also included within a list of things councils are to reflect within their Development Plans, Strategic Direction Reports and Strategic Planning and Development Committees.

Criteria for determining whether a development application or policy is within the concept of affordable housing are set by regulation 4 of the SA Affordable Housing Trust General Regulations 1995. In assessing applications purporting to have affordable housing, assessing authorities refer the application to the Minister for Housing for review and certification against this criteria is provided through the housing department.

In doing so, the Minister for Housing commonly signs a statutory covenant with the landowner, which restricts the use of the land to affordable housing. The covenant is recorded on the land title until the terms of the agreement are satisfied. Powers to enter into a statutory covenant are provided through the South Australian *Housing Trust Act 1995* (s21a) and can, among other things, restrict the sale, tenancy and use of the land.

### ***New South Wales' Environmental Planning and Assessment Act***

The overall objectives of the *Environmental Planning and Assessment Act 1979* (EPAA) include a commitment to promote and retain affordable housing (s 5(a)(viii)). The plan-making provisions of the Act also state that local instruments may include arrangements

for 'providing, maintaining and retaining, and regulating any matter relating to, affordable housing' (s 26(d)).

When assessing a development application, a consent authority is required to consider any environmental planning instrument, or draft instrument, as well as 'the likely impacts of that development, including environmental impacts on both the natural and built environments, and social and economic impacts in the locality' (s 79C). Such impacts could include the social impacts of development likely to reduce opportunities for low-cost housing.

In addition, the EPAA provides for planning authorities to enter into planning agreements with developers to collect contributions for any public purpose, including 'the provision of (or the recovery of the cost of providing) affordable housing (s 93F(2)(b)).

The EPAA also makes specific provision for development conditions requiring contributions or land for affordable housing (ss 94F, 94G) (within the constraints established by state policy (*State Environmental Planning Policy – Affordable Housing (SEPP 70)*)).

## STATE AND REGIONAL POLICIES AND PLANNING

International practice shows that local affordable housing strategies are most effective when nested within a supportive regional, state or national policy and legislative framework. In Australia, the states and territories identify matters of state or regional significance to be addressed when local planning decisions are made. These matters may be articulated as state or territorial policies, or as state or regional planning requirements. Each of the metropolitan regional plans applying to Australia's largest cities contains policies relevant to affordable housing. These plans:

- can be specific to types of affordable or low-cost supply
- may identify specific areas suitable for affordable housing
- set out land supply and sequencing/urban containment.

When affordable housing goals are included in policies or plans prepared by state governments for implementation at the lower level, a strong framework for local plan making and development assessment is established

### **LEADING PRACTICE EXAMPLES**

#### ***South Australia: Planning for affordable housing***

Planning for affordable housing in South Australia occurs within the framework of the *Housing Plan for South Australia*. This plan includes a target of achieving 15 per cent affordable housing within all new developments. Five per cent of this should be high need housing. This affordable housing target can be achieved through a variety of ways ranging from design and construction innovations to achieve lower priced market housing, through to new financing models or the use of restrictions to ensure that the target housing is sold or leased to a prospective home buyer who meets defined eligibility

criteria or a registered affordable housing provider.\* These targets are supported under the regional Planning Strategies, which aim to achieve 15 per cent affordable housing within all significant new housing developments and specifically require councils to consider how they are to achieve this through their local strategic and development plans.†

### ***Western Australia: The holistic approach***

Western Australia embeds 'affordable housing' into a larger goal of 'Affordable Living', taking into account interrelated issues of location, its subsequent transport costs and effect on employment opportunities. The Department for Planning and Infrastructure is working with its portfolio partners and the Department of Housing and Works on a strategy for Western Australia that considers the relationship between housing, services and employment and affordable living.

### ***Queensland: State and regional planning for affordable housing***

Queensland's State Planning Policy for Housing and Residential Development (released in January 2007) emphasises:

- local needs assessment frameworks
- strategies to reduce barriers to housing diversity in local schemes,
- reducing land and building costs of housing through graduated planning standards.

Graduated standards establish different requirements for allotment sizes, private open space, and car parking in response to different housing forms, and are intended to reduce building costs for more modest dwellings.

The *South East Queensland Regional Plan (2005–26)* 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'.‡

Under the *Queensland Housing Affordability Strategy* an Urban Land Development Authority will take a major role in planning, acquiring and assembling land, and developing or facilitating development to improve housing supply and affordability, particularly in high growth areas.§

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\* South Australian Government (2007) 'Assessment Guidelines: Meeting the 15% target for Affordable Housing: In new land releases', Department for Families and Communities Fact Sheet: [www.housing.sa.gov.au/affordable](http://www.housing.sa.gov.au/affordable) under 'Developers and Builders'.

†Government of South Australia. (2006), *Planning Strategy for Metropolitan Adelaide* (Adelaide: Planning South Australia), available at: [www.planning.sa.gov.au/go/strategy/land-use-planning-strategy-for-sa/metropolitan-adelaide-incl-residential-development-program](http://www.planning.sa.gov.au/go/strategy/land-use-planning-strategy-for-sa/metropolitan-adelaide-incl-residential-development-program).

‡Queensland Government (2005) *South East Queensland Regional Plan*, Office of Urban Management, p. 8.4.2-6.

§Queensland Government (2007) *Queensland Housing Affordability Strategy*.

## **State policy approaches for affordable housing in NSW**

In NSW there are several State Environmental Planning Policies (SEPPs) relevant to affordable housing.

### *SEPP 10: Retention of Low Cost Rental Accommodation*

SEPP 10 aims to retain existing sources of low-cost accommodation (boarding houses, hostels and low-cost rental dwellings) within the Greater Metropolitan Region of Sydney, Newcastle and Wollongong.

### *SEPP 5: Housing for Seniors or People with a Disability*

This policy aims to ensure a sufficient supply of accommodation for older people and people with a disability by relaxing local residential development controls (subject to strict criteria about location and design). An additional incentive (an increased FSR/development envelope) is allowed where affordable housing is provided as part of the development.

### *SEPP 70: Affordable Housing (Revised Schemes)*

SEPP 70 identifies a need for affordable housing in a limited number of local government areas (Willoughby, and parts of the City of Sydney) and amends local and regional environmental planning instruments to enable levying of development contributions for affordable housing.\*

## **LOCAL PLANNING**

Planning instruments or schemes establish the legal rules governing the way land can be used and developed, usually defined in relation to local government boundaries. There are different names, formats and requirements for these planning instruments across states and territories. In Victoria and Queensland ‘planning schemes’ establish the principal development controls for a local government area, while the term ‘development plan’ is used in South Australia, and ‘local environmental plan (LEP)’ is used in NSW.

Although the form, structure, and approaches differ between jurisdictions, planning schemes all typically contain objectives, rules to categorise land according to permissible uses (‘zones’ or ‘localities’) and legally enforceable development controls (such as controls on density, like height, the number of building storeys, or the amount of site coverage).†

Often more detailed requirements will be established through other council policies or plans. These subsidiary policies and plans can be more adaptable, as a council may not be legally obligated to enforce them in all circumstances.

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\*From the Local Government Housing Kit, Centre for Affordable Housing, NSW Department of Housing, available at: [www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/](http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/)

†N. Gurran (2007) *Australian urban land use planning: Introducing statutory planning practice in NSW*, Sydney University Press, Sydney.

In addition, Australian local governments undertake social planning processes to identify and respond to the needs of all sections of their communities. For instance, Social Plans are a requirement in NSW and include demographic data, information about the needs of target groups (Aboriginal and Torres Strait Islanders, children, people with disabilities, young people, older people, people from culturally and linguistically diverse backgrounds, women), and recommended actions. Local social planning processes can include an explicit focus on housing needs and affordability. In Western Australia, Council Housing Plans include employment, housing and population targets as well as affordability considerations.

## **LEADING PRACTICE EXAMPLES**

### ***Local government and social planning***

Port Macquarie–Hastings Council developed the *2005-2010 Port Macquarie-Hastings Social Plan* in accordance with the Local Government (General) Amendment (Community and Social Plans) Regulation 1998, which requires that all NSW Councils develop plans to identify the range of activities that Council will undertake to enhance the social health of the community. The plan was endorsed and adopted by Port Macquarie-Hastings Council in December 2005.

Under the Plan, Council is currently in the process of developing an Affordable Housing Strategy for the Hastings Local Government Area. The Strategy will:

- assess current housing issues;
- analyse current affordable housing projects to meet needs in the short, medium and long terms; and
- based on the above analysis, identify gaps, leading to new planning and infrastructure development projects to fill those gaps and meet market demand and needs in the short and medium term.

The draft Affordable Housing Strategy is currently being finalised. An Affordable Housing Advisory Committee, comprised of Council staff and Councillors (including the Mayor and Deputy Mayor), key government stakeholders, community housing organisations, community representatives and local developers will provide advice on the Strategy's overall management.

## **PRINCIPLES OF LEADING PRACTICE**

### ***Planning systems that support affordable housing***

- Use planning mechanisms to reinforce and support broader national and state policies and levers for affordable housing and housing assistance.
- Address housing need across regional and sub-regional *markets*, rather than in relation to local government boundaries.

- Use affordable housing mechanisms to complement other strategic planning goals, or, where such goals present a barrier to affordable housing development, provide a way to offset these negative impacts.
- Facilitate a timely and adequate supply of residential development opportunities in appropriate locations.
- Offset or enable replacement of low-cost housing lost through development processes.

- Facilitate the development of affordable housing in response to a diversity of community and workforce needs.

- Achieve certainty in affordable housing requirements and ensure requirements are applied in a transparent and consistent way.
- Monitor housing market trends and demographic change, and ensure strategies respond to this change.

### ***Pitfalls to avoid***

- Avoid unnecessary planning requirements that increase the costs of housing production, like delays or uncertainty in securing planning approval, excessive development controls, fees or charges.
- Ensure that planning policies or decisions do not contribute to or reinforce spatial polarisations of socio-economic groups across a metropolitan or regional area.
- Avoid planning mechanisms for affordable housing which undermine other important strategic planning goals.

### ***Additional supporting tools***

Planning initiatives relating to affordable housing are best supported by:

- overall objectives in a local residential plan to maintain and encourage affordable housing within the area
- specific zone objectives
- provisions outlining expectations relating to the protection or promotion of affordable housing within the area (for instance, a provision indicating the intention to seek provisions for affordable housing in certain circumstances)
- design codes and or approvals policies that promote housing diversity and affordability
- a framework for entering into planning agreements and to streamline negotiations relating to agreements for affordable housing.
- inclusion of access to affordable housing in Council Social Plans or Council Housing Plans.

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## 2: HOUSING NEEDS ANALYSIS

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### ***This section:***

- articulates terminology adopted nationally for describing affordable housing, groups in housing need, and a method for establishing indicative price benchmarks for affordable housing agreed to by Australian Housing, Local Government and Planning Ministers
- outlines a national standard housing needs analysis methodology, for adaptation at state, regional, or local levels
- shows how to move from this analysis to strategies for affordable housing action
- is designed for housing officers and other staff who might be responsible for producing an analysis of a local housing market, within established or new growth areas
- may be particularly relevant for local councils who are required, under a regional planning strategy, to undertake a local housing market study or are preparing a local housing needs study to inform the preparation or revision of a local planning instrument or scheme

### COMMON TERMINOLOGY FOR AFFORDABLE HOUSING

As part of the National Action on Affordable Housing, the Housing, Local Government and Planning Ministers endorsed a common approach to describing affordable housing terminology in August 2005. They noted that a national approach to describing and analysing affordable housing need at geographic levels, reflected in planning policy, provides a consistent process to identifying housing need and informs the range of tenures, products, and price points necessary to deliver housing to meet those needs.

The following terms, concepts and affordability benchmarks have been agreed within the framework of the NAAH.

#### **Affordable housing**

Affordable housing is:

- appropriate for the needs of a range of low and moderate-income households; and
- priced so that households are able to meet other essential basic living costs.

## Appropriate housing:

### Appropriate housing:

- is appropriate for that household in terms of size, quality, accessibility and location;
- is integrated within a reasonably diverse local community;
- does not incur unreasonable costs relating to maintenance, utilities and transport;
- provides security of tenure and cost for a reasonable period.

## Low- and moderate-income households

‘Low and moderate-income households’ have incomes below 120 per cent of the gross median income of all households. The category may be sub-divided for some purposes into households with incomes below 50 per cent of the median (‘very low-income’); between 50 and 79 per cent (‘low-income’); and between 80 per cent and 119 per cent (‘moderate-income’). Many jurisdictions will distinguish between the metropolitan and non-metropolitan median income levels for their own state or territory. This may need to be further adjusted to account of the differing housing costs to accommodate larger household sizes (see Table 2 on page 28).

## Level of housing costs

There is no precise measure of the affordability of housing costs. A widely-used indicator (the General Affordability Indicator) is that mortgage or rental payments should be less than 30 per cent of household gross income (including CRA). Other indicators are sometimes used in response to particular circumstances, policy goals or administrative considerations.

Other terminology used in this guide is defined in the glossary.

## GENERAL INDICATIVE PRICE BENCHMARKS

Using the nationally-accepted definition of affordable housing, indicative price benchmarks for affordable housing prices and rents can be determined. Price points can be a useful indicator for use by local government, planners and industry. Indicative price points are sensitive to income, location differences and interest rates, so they change over time.

Table 1 below provides an indication of house price and rental affordability for a range of gross household incomes. As median household incomes vary across jurisdictions, differing price points are relevant. A summary table by jurisdiction (Table 5) appears on page 30. In general, low and moderate-income household incomes vary from \$35–60,000 nationally.

**Table 1: Household incomes and indicative affordable house prices & rents (August 2007)\***

Gross household income (\$)	Indicative affordable house price (\$)	Indicative affordable rent (\$)
\$25,000	\$90,000	\$144
30,000	108,000	173
35,000	126,000	202
40,000	144,000	231
45,000	162,000	260
50,000	180,000	288
55,000	198,000	317
60,000	216,000	346
65,000	234,000	375
70,000	252,000	404
75,000	270,000	433

*Source: Policy Research Working Group, August 2007*

The description of affordable housing and indicative price benchmarks provides a basis for national consistency in defining affordable housing need. However, there may be situations where a jurisdiction believes that additional information in relation to price points is necessary. In particular, jurisdictions may wish to provide price points that account for variations in location and household size. This should be done consistent with national guidelines described below.

## Location

Median household incomes are also available by local government area from the ABS Census and should be indexed by CPI. (See the current percentages in Table 2 below.) Changes in CPI indexes are available from the ABS website, publication 6401.0 (see [www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0](http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0)).

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\* The following specifications have been agreed by the national housing ministers and the Australian Local Government Association (ALGA) for setting the indicative price points for affordable housing:

*Tenure specific*—Rental and home purchase are treated separately as the approach for defining affordability is different.

*Referenced to median household income*—Median household incomes are more easily understood than household quintiles (often used in housing policy) (Roughly, 80–120 per cent of median income equates to 40–60 per cent of household incomes.)

*ABS household income*—The Australian Bureau of Statistics' Census is the most accessible household income data. CPI (consumer price index) indexation is used to adjust to current year, as this is most relevant to the growth of lower income households' incomes. (Using individual wage increases is often less applicable as household income is often affected more by household composition than wage growth.)

*Annually adjusted*—Household incomes will be adjusted annually in line with CPI (or with the release of new census) and price points adjusted with interest rates to account for changes in household purchasing power.

*Loan calculation*—Assumes standard bank loan rate as published by Reserve Bank of Australia. Based on 30-year loan term, a five per cent deposit, and excludes stamp duty and establishment costs. Interest rate is the current Reserve Bank of Australia standard bank rate (averaged over year).

## Household size

Within these broad income bands, indicative price benchmarks for households with the same income may have to be adjusted to reflect the differing housing costs which arise from the size of their household.

**Table 2: Median household income levels by income band (2006)**

Income bands	% of median income	Annual income range (Sydney)	Annual income range (rest of NSW)
Very low	< 50% median	< \$28,153	< \$18,423
Low	50% - 80% median	\$28,153 - \$45,045	\$18,423 - \$29,476
Moderate	80% - 120% median	\$45,046 - \$67,568	\$29,477 - \$44,215

**Table 3: Household income bands adjusted by household size (Sydney 2006)**

No. in household	% difference	Very low	Low	Moderate
1	70	<\$19,707	\$19,707–\$31,532	\$31,533–\$47,298
2	80	<\$22,522	\$22,522–\$36,036	\$36,037–\$54,054
3	90	<\$25,338	\$25,338–\$40,541	\$40,542–\$60,811
4	100	<\$28,153	\$28,153–\$45,045	\$45,046–\$67,568
5	108	<\$30,405	\$30,405–\$48,649	\$48,650–\$72,973
6	116	<\$32,657	\$32,657–\$52,252	\$52,253–\$78,379
7	124	<\$34,910	\$34,910–\$55,856	\$55,857–\$83,784

**Table 4: Household income bands adjusted by household size (rest of NSW 2006)**

No. in household	% difference	Very low	Low	Moderate
1	70	<\$12,896	\$12,896–\$20,633	\$20,634–\$30,951
2	80	<\$14,738	\$14,738–\$23,581	\$23,582–\$35,372
3	90	<\$16,581	\$16,581–\$26,528	\$26,529–\$39,794
4	100	<\$18,423	\$18,423–\$29,476	\$29,477–\$44,215
5	108	<\$19,897	\$19,897–\$31,834	\$31,835–\$47,752
6	116	<\$21,373	\$21,371–\$34,192	\$34,193–\$51,289
7	124	<\$22,845	\$22,845–\$36,550	\$36,551–\$54,827

**These tables will be updated annually by the Housing NSW's Centre for Affordable Housing on its website at [www.housing.nsw.gov.au/Centre+for+Affordable+Housing/](http://www.housing.nsw.gov.au/Centre+for+Affordable+Housing/).**

Adjustments to median household incomes to account for household sizes, if relevant for jurisdictions, should be done by adopting the following standard in. For example, if a median household income was \$40,000 *per annum* in an area, an equivalent ratio for a single household would be 70 per cent or \$28,000. This would effectively reduce the indicative purchase price or range identified as accessible by this household.

## DEMONSTRATING CURRENT AND FUTURE HOUSING NEED

Using the standard terminology and price benchmarks it is then important to undertake a more detailed analysis of housing needs, based on demographic patterns at local and regional levels, and an appraisal of opportunities to meet this need given current housing stock and market trends. The housing needs analysis provides the basis for:

- identifying future housing needs including affordability, as a basis for developing appropriate land use planning responses within established and new growth areas
- justifying the introduction of specific planning mechanisms for affordable housing, including the collection of affordable housing contributions where indicated.

Housing needs analysis results can:

- form part of a local housing strategy (combining the needs analysis, policy objectives, and strategies to achieve these goals, including land use planning strategies);
- inform the preparation of a residential development strategy (a more focused spatial planning strategy designed to identify and facilitate residential development opportunities);
- direct a targeted review of the existing local or regional planning framework, as a basis for introducing specific measures for affordable housing (potential measures are outlined in the following section of this *Leading Practice Guide*).

The *Leading Practice Guide* emphasises *local* housing needs and market trends, using data available at the Local Government Area (LGA) level. It may also be used by LGAs operating collaboratively or by state or territorial governments operating at the regional or sub-regional level.

## CONSISTENT METHODS FOR HOUSING NEEDS ANALYSIS

All local areas have different housing problems and opportunities. However, consistent methods for analysing need enable cross-boundary comparison and may help to validate any specific planning requirements for affordable housing.

The suggested steps in undertaking a housing needs analysis proceed from the collection of demographic data and information about industry and economic trends; an analysis of housing supply characteristics, including tenure and residential development activity, market opportunities; to an overall assessment of housing needs (including levels of existing or potential housing stress). The final step is to move from this analysis to a set of strategies for action. The emphasis is on affordability, although the method supports a broader housing needs market demand and supply analysis.

**Table 5: Summary of indicative price points by jurisdiction (June 2007)**

Jun-07	ACT		NSW		NT		QLD	
	Capital City	Rest of State	Capital City	Rest of State	Capital City	Rest of State	Capital City	Rest of State
<b>Rental</b>								
50% of median income	\$40,215	-	\$30,904	\$21,290	\$34,032	-	\$29,724	\$25,443
Indicative rental (per week)	<b>\$232</b>	-	<b>\$178</b>	<b>\$123</b>	<b>\$196</b>	-	<b>\$171</b>	<b>\$147</b>
80% of median income	\$64,344	-	\$49,447	\$34,064	\$54,451	-	\$47,558	\$40,709
Indicative rental (per week)	<b>\$371</b>	-	<b>\$285</b>	<b>\$197</b>	<b>\$314</b>	-	<b>\$274</b>	<b>\$235</b>
<b>Home Purchase</b>								
80% of median income	\$64,344	-	\$49,447	\$34,064	\$54,451	-	\$47,558	\$40,709
Indicative purchase price	<b>\$232,000</b>	-	<b>\$178,000</b>	<b>\$123,000</b>	<b>\$196,000</b>	-	<b>\$171,000</b>	<b>\$147,000</b>
120% of median income	\$96,516	-	\$74,170	\$51,096	\$81,677	-	\$71,337	\$61,063
Indicative purchase price	<b>\$348,000</b>	-	<b>\$267,000</b>	<b>\$184,000</b>	<b>\$294,000</b>	-	<b>\$257,000</b>	<b>\$220,000</b>

Jun-07	SA		TAS		VIC		WA	
	Capital City	Rest of State	Capital City	Rest of State	Capital City	Rest of State	Capital City	Rest of State
<b>Rental</b>								
50% of median income	\$24,697	\$20,928	\$23,974	\$0	\$28,840	\$21,917	\$28,998	\$26,836
Indicative rental (per week)	<b>\$142</b>	<b>\$121</b>	<b>\$138</b>	<b>\$0</b>	<b>\$166</b>	<b>\$126</b>	<b>\$167</b>	<b>\$155</b>
80% of median income	\$39,515	\$33,485	\$38,359	\$0	\$46,143	\$35,067	\$46,397	\$42,937
Indicative rental (per week)	<b>\$228</b>	<b>\$193</b>	<b>\$221</b>	<b>\$0</b>	<b>\$266</b>	<b>\$202</b>	<b>\$268</b>	<b>\$248</b>
<b>Home Purchase</b>								
80% of median income	\$39,515	\$33,485	\$38,359	\$0	\$46,143	\$35,067	\$46,397	\$42,937
Indicative purchase price	<b>\$142,000</b>	<b>\$121,000</b>	<b>\$138,000</b>	<b>\$0</b>	<b>\$166,000</b>	<b>\$126,000</b>	<b>\$167,000</b>	<b>\$155,000</b>
120% of median income	\$59,272	\$50,227	\$57,538	\$0	\$69,215	\$52,601	\$69,596	\$64,405
Indicative purchase price	<b>\$214,000</b>	<b>\$181,000</b>	<b>\$207,000</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$190,000</b>	<b>\$251,000</b>	<b>\$232,000</b>

For more information about undertaking housing needs analyses and the nature of housing markets see the *Local Government Housing Kit*, from Housing NSW's Centre for Affordable Housing: [www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/](http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/)

## Supporting data for housing need and market analysis

Data for housing need and market analyses relate to four key areas:

- Demography (population and household characteristics)
- Economy (industry, income and occupation trends)
- Supply (dwelling types and tenures, new development approvals)
- Market (rent and sale prices and availability).

Most of the demand-based data is based on the Census, and so only updated when new Census data are available (every five years). Other data may be updated more regularly but may not be consistently available across all states.

When analysing housing market data it is important to include comparison areas, usually similar local government areas, as well as a metropolitan or regional area as a whole. See the Municipal Association of Victoria (MAV) *Toolkit for Local Government Housing Policies, Strategies and Actions* (1999) or the *NSW Local Housing Kit* for examples of how data should be presented and analysed in relation to comparison areas.

**Table 6: Data sources for local housing market analyses**

<b>Data</b>	<b>Source</b>	<b>Updated between census periods</b>
<i>Demography</i>		
Overall population/household trends and forecasts	ABS/state planning agencies	Yes
Age structure	ABS	No
Household and family types	ABS	No
Average household size (1991–2001)	ABS	No
<i>Economic</i>		
Income and occupation trends	ABS	No
Industry structure	ABS	No
Unemployment rates	DEWR; ABS	Yes
<i>Supply</i>		
Dwelling structure	ABS	No
Dwelling tenure including low-cost rental	ABS	No
Bond lodgments	Sometimes available from state housing agencies	Yes
Public/Community Housing stock	State housing agencies	Yes
Residential building approvals	ABS	Yes
<i>Market</i>		
Change in rents and prices and vacancies	Sometimes available from state housing agencies	Yes
Numbers of lower income households in housing stress	ABS (customised data in NSW and SA housing kits)	Yes
Proportion of properties for rent and low income households	ABS (customised data NSW and SA housing kits)	Yes

*Source:* Adapted from the National Action on Affordable Housing Framework and NSW Local Housing Kit

## Demography

Population and household structures influence the profile of housing need and demand. It is important to consider the size, age, gender and ethnic structure of the population as well as the type of household.

Trends in overall population size provide an important backdrop for the demographic factors influencing the market. An important trend in recent times has been toward smaller household sizes as a result of people's preference for living on their own, increased life expectancies, and a decline in fertility rates. This means that housing demand and the need for affordable housing may increase even when there is no population growth in an area.

### **Sources of data**

The preferred population estimate is the estimated resident population (ERP). This is the official Australian Bureau of Statistics (ABS) estimate of the population in the LGA.

In non-metropolitan LGAs with large indigenous populations it is important to examine the relevant profile that provides detailed demographic data for the indigenous community. These profiles are available for a range of geographical levels including:

- Indigenous Areas (which are discrete indigenous communities);
- Remoteness Areas;
- Local Government Areas (LGA).

## **Household formation**

Increasing household formation rates mean that there will be a steady demand for dwellings (as the number of households grows) even in areas where there will be no overall population growth.

### **Sources of data**

Time Series Profile from the Australian Bureau of Statistics provides a useful source of data on demographic trends, including household formation rates.

## **Age structure**

The age structure of the population influences migration trends, household formation and housing need. There are important age 'cohort' effects in relation to tenure preference and housing demand as well as vulnerability and the likelihood of housing need. An analysis should examine the proportion of the population in different age cohorts to identify which household types have grown or declined. The following characteristics are associated with different age cohorts:

- 15–24 years or 'young households' are characterised by shared rental tenure. Many people in this age group will be quite mobile while seeking education and career opportunities, which can result in higher concentrations of this age group in areas with a concentration of education facilities. In the transition from the family home to independent housing many in this age cohort experience housing stress;
- 25–44 years or 'middle households' with children are often in the process of purchasing homes and generally have the largest average household size;

- 45–64 years or ‘mature families’ tend to have smaller household sizes as children leave home. The majority of households in this cohort are owners or purchasers;
- 65+ years or ‘late households’ usually only have one or two persons and a high degree of outright home ownership, but often limited income streams.\*

#### **Sources of data**

- ABS Census data
- ABS Estimated Resident Population data

### **Migration and recent movers**

Another useful demographic concept is the level of net migration between census periods. Net migration measures the change in the population of an area between census periods after allowing for natural increase (that is, births minus deaths). This number is a better indicator of the demographic health of an area than raw population change figures. Where in migration is significant it is useful to focus on the characteristics of recent movers since these will influence the housing need profile within the area.

#### **Sources of data**

- ABS Census (for net migration)
- ABS Census—special run needed to analyse the characteristics of recent movers. This data is available for South Australia via the Family and Community Services affordable housing database.

### **Special needs groups**

There are a number of groups in the population who have special needs that must be addressed to house them appropriately. This group might include people with a disability, the frail aged, homeless people with support needs, and culturally and linguistically diverse people. These needs vary and include affordability, accessibility and structural issues with regard to amenity and design.

Ethnicity also has a strong influence on the mix and location of housing need and demand. Different ethnic groups have different age structures, household formation rates and fertility rates, and varying tenure, housing type and location preferences.

#### **Sources of data**

- ABS Census
- Consultation with relevant organisations involved with these groups (community services sections of local council maintains contact lists of potential contacts).

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\* Derived from the *Local Government Housing Kit*, Centre for Affordable Housing, NSW Department of Housing, available at: <http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/>.

## Economy

Data on the economic context reflects the ability of households to afford housing, and shows household incomes in relation to issues of economic structure and employment trends in the local area.

### Incomes

Data on household incomes (rather than individual persons) are the most relevant to housing market studies. As noted above, when determining affordable housing needs in relation to income, the following indicators apply:

- the median household income (that is, the household income at which half the households have more income and half the households have less income);
- the proportion of very low income households, which are defined as households with less than 50 per cent of the median income;
- the proportion of low income households, which are defined as households with income between 50 per cent and 80 per cent of the median income;
- the proportion of moderate income households, which are defined as households with between 80 per cent and 120 per cent of the median income; and
- the proportion of households in the highest income category.

#### **Sources of data**

- ABS Census, can be approximated by using CPI Index (on state/territorial basis)

### Industry and economic trends

The industrial structure of a region or sub-region provides an indication of likely housing demand trends. In particular, it is important to differentiate between *cyclical* unemployment that results from fluctuations in the business cycle, and *structural* unemployment that results from the permanent decline of a particular industry. For example, cyclical unemployment often occurs in the construction or tourism sectors, while structural unemployment results from the decline in the manufacturing sector.\*

There has also been a significant shift in employment patterns from full time employment to part time and casual employment. This trend has affected the ability of some households to obtain loans for home ownership because of uncertainty about their future income.

#### **Sources of data**

- Current estimates of unemployment rates by local government area are available from the Commonwealth Department of Employment and Workplace Relations, which produces quarterly estimates of unemployment rates for individual local government

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\* For more information, see *the Local Government Housing Kit*, Centre for Affordable Housing, NSW Department of Housing, available at:  
<http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/>

areas. Available online at:

[www.workplace.gov.au/workplace/Publications/LabourMarketAnalysis/SmallAreaLabourMarkets-Australia.htm](http://www.workplace.gov.au/workplace/Publications/LabourMarketAnalysis/SmallAreaLabourMarkets-Australia.htm)

- ABS Census data is available for occupations and employment rates.

## Supply

It is important to understand the characteristics of existing stock in relation to overall population characteristics and trends, as well as to identify potential sources of lower cost housing supply and changes over time. The ABS Census records dwellings as detached, semi detached, flats, units or apartments, or other dwellings, including shop-top housing, caravans, houseboats, improvise homes and so on.

Dwellings are further classified in the Census as occupied or unoccupied. 'Unoccupied Private Dwellings' are structures built specifically for living purposes that are habitable, but unoccupied on Census night. Vacant houses, holiday homes, huts and cabins (other than seasonal workers' quarters) are counted as unoccupied dwellings. In analysing housing supply it is particularly important to take account of vacancies in areas with high rates of seasonal visitors. Also included are newly completed dwellings not yet occupied, dwellings that are vacant because they are due for demolition or repair, and dwellings to let.

In addition to data on dwelling structures, it is useful to note the dwelling size of each of the main dwelling types as measured by the number of bedrooms.

### **Sources of data**

- ABS Census Time series profiles (T14 and T15) show the number and proportion of different dwelling types over the last three census periods.
- Data on dwelling size is available from the Expanded Community Profiles produced by the ABS. Available by following the links from:  
[www.abs.gov.au/websitedbs/d3310114.nsf/Home/census](http://www.abs.gov.au/websitedbs/d3310114.nsf/Home/census)

## Tenure

Tenure is an important indicator of the availability or proportion of social housing as well as the balance between rental housing stock, stock that is owned and being purchased within a particular area or region. The ABS also presents this information in time series (over three Census periods) to show tenure and landlord type changes over time, by numbers of occupied dwellings and people occupying the dwellings.

### **Sources of data**

- ABS Census, especially Time Series Profile (T19)

## Low priced rental stock

Data on changes in public housing is often available from public housing agencies during inter census periods. A broad measure of changes in the availability of private low priced stock is available from published census time series tables.

Changes in the availability of low-cost rental stock within a particular area can be analysed with reference to CPI increases enabling a comparison of availability over time.

If information on bond lodgments is available in your state you are able to track trends in rental supply between census periods.

### **Sources of data**

- ABS Census Time Series Profile (T20) shows the number of properties in nominal rent categories for 1991, 1996 and 2001.
- Bond lodgment data may be available from rental bond boards or equivalent in each state.
- Data on changes in public housing may be available from public housing agencies during inter census periods.

## Residential development

Tracking trends in residential development provides a way of monitoring housing demand and future supply. A good source of data is residential building approval data. These are compiled from permits issued by: local government authorities and other principal certifying authorities; contracts let or day labour work authorised by Commonwealth, state, semi-government and local government authorities; and major building approvals in areas not subject to normal administrative approval, e.g. building on remote mine sites.\*

In addition to the building data it might also be useful to examine the trends in development applications in a local area. Relevant trends include the total number of applications for residential development, the number of dwellings contained in each application, the dwelling types (including bedroom configuration) and the names of the developers (where appropriate).

### **Sources of data**

- Building approval data are collected by the ABS and are contained in the document entitled Building Approvals, Australia
- Development application data is maintained by local councils but it may be necessary to introduce procedures to collect information needed to monitor residential development and supply.

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\**Local Government Housing Kit*, Centre for Affordable Housing, NSW Department of Housing, available at: [www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/](http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/)

## Land supply

Shortages of land for new residential development can have a significant impact on the availability and pricing of dwellings in an area. In new land release areas the availability of un-serviced and serviced lots will be relevant, while in established areas redevelopment sites may also represent significant opportunities for new housing.

In metropolitan areas, it is important to consider the availability of land on a regional basis. Most state government planning agencies compile data on the availability of new residential land for development in metropolitan regions.

### **Sources of data**

- State government metropolitan land development programs compile statistics on land release and development trends
- In many states, regional plans indicate areas where future urban growth, or more intense development, including housing, will occur
- Local land use plans contain information on land zoned for residential development or earmarked for future urban development.

## Market—identifying local opportunities

While undertaking the local housing market study, it is useful to compile a list of housing opportunities. This might be a list of vacant sites in public ownership, public housing sites that are undeveloped, or opportunities to change the planning controls to enable residential development (for instance, ‘rezoning’). These opportunities would then be taken up when preparing a local housing strategy for action or when reviewing local planning controls.

When identifying local opportunities it helps to examine the role and motivations of those active in the development and management of housing supply.

### **Builders/developers**

Developers have a major bearing on the type and quantity of housing that comes onto a local market. It is useful to understand the factors that stimulate or inhibit their activities in an area, particularly developers who concentrate on the affordable end of the market.

An important first task is to simply develop a profile of who are the active developers/builders in the local market by interrogating the development application register at your Council. Talking to a sample of these developers can provide valuable insight into supply trends in your area.

### **Sources of data**

- Development application registers maintained by local councils contain information about active developers and builders in the local area.

- Industry associations like the Urban Development Institute of Australia, the Master Builders Association, and the Housing Industry Association provide broader information about the development industry.

### **Private landlords**

The actions of landlords have a crucial impact on housing opportunities for low-income households in an area. There are a number of options for obtaining information on the motivations and intentions of landlords. They range from a traditional survey approach, to the monitoring of a small number of what are considered representative landlords. It will be important to include landlords that control threatened stock such as boarding houses and residential parks.

#### **Sources of data**

- Information on landlords operating locally can be obtained from the Council's Rate Database.
- Another possible source of information could be registered estate agents in your local area. The Real Estate Institute of Australia maintains listings of local agents.

### **Public and community housing providers**

State housing authorities are traditionally the major supplier of accommodation of affordable housing to those who have difficulty sustaining accommodation in the private market. It is important to establish their plans in the market. A local area plan may be available for your area from your state housing authority—contact their local office.

Community housing is a growing component of housing assistance. Community housing is housing that is managed by not-for-profit housing organisations, including housing associations, housing cooperatives, and other non-government and church organisations. Dwellings may be leased from the state housing authority, private landlords and other government agencies; or in some cases, owned by the organisations themselves. Most dwellings provide medium to long-term residence although some are used for short-term crisis accommodation.

#### **Sources of data**

- State housing authorities may provide information or plans outlining their plans for local or regional areas.
- Local or regional community housing associations may provide information regarding their future activities.

## Assessing housing trends and identifying housing stress

The interaction between the supply of housing and the demand for housing generates outcomes in the housing market.\* The use of the LGA as a study area can provide a misleading picture when the overall operation of the market is examined. The market may appear to be in ‘balance’, but this could simply be because prices may have forced people out of the area. In other words, the housing problems may have simply been exported into an adjoining locality. Depending on how you have defined your housing market, it may be important to consider the local area in a broader geographical context.

### Key market indicators: house prices

Local house prices provide an estimate of the amount of housing supply relative to demand in a particular area. Prices only reflect the amount of ‘active’ stock – housing stock for sale or available to rent. House price data do provide a basis for measuring the extent of housing that is affordable within a particular area.

There are a number of data sources on house prices although these differ across the Australian states and territories. Whatever data source is used, the median sales price is the most useful data item—it marks a point at which equal numbers of properties are below and above the median value. Unlike means or averages, medians are not significantly affected by unusually high or low values.

#### **Sources of data**

Data sources differ across the Australian states and territories.

- In NSW, data on house prices and rents is available in the NSW Rent and Sales Report compiled by the NSW Department of Housing, and accessible through the NSW Housing Kit.
- In South Australia, house price data is available through the Department for Families and Affordable Housing Innovations Program key data sets.
- Rental bond data is available in NSW via the NSW Local Government Housing Kit.

### Key market indicators: rents

Rental data is another important indicator of housing affordability. The key rental indicators are actual rents, percentage changes and vacancy rates. Stable rents indicate reasonable balance between supply and demand for rental dwellings in the area. When analysing rents it is important to remember that rents may have a seasonal pattern (for example, they may increase during holiday periods).

When median rents are used to examine trends in a local housing market, care must be taken in interpreting the rental data. For instance, it is quite common for a number of negative quarterly changes in median rents to occur following large

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\*See the *Local Government Housing Kit*, Centre for Affordable Housing, NSW Department of Housing, available at: <http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/>.

increases in the previous quarter. These variations are related to the method of data collection, which measures rents by taking a sample that is not random—it records the data only for bonds lodged during the quarter. The properties for which bonds are lodged in a particular quarter may be atypically low or atypically high. In these cases, when the next quarter is compared, median rents may subsequently decrease or increase significantly.

Another good measure of the state of the private rental market is the vacancy rate. An industry rule of thumb is that a three per cent vacancy rate represents a balance between supply and demand for rental housing. Less than three percent represents a shortage and will lead to upward pressure on rents. However, consistent data on vacancy rates is difficult to obtain. A possible surrogate variable is the ratio of new bond lodgments divided by total bond lodgments.

### **Sources of data**

- In South Australia, affordable rent indicators are based on calculations by the Department of Families and Communities.
- In NSW, data on rents is available in the NSW Rent and Sales Report compiled by the NSW Department of Housing, and accessible through the NSW Housing Kit.

### **Assessing housing stress**

The concept of *housing stress* refers to the impact for low and moderate-income households of high housing costs. It recognises that relatively high housing costs can mean that low income households are unable to meet essential needs such as transport, health and dental services, or food. High housing costs may also mean that low-income households are unable to meet unexpected expenses and are so at risk of falling behind in their housing payments, placing them at risk of homelessness.

In Australia, housing stress is usually defined in one of the following two ways:

1. Households in the bottom 40 per cent of income distribution paying more than 30 per cent of their gross household income on housing costs; or
2. The (larger) group of households who have gross incomes below 120 per cent of the median household income and paying more than 30 per cent of their household income on housing costs.

These definitions provide a helpful tool for measurement but are not sensitive to differences in household composition. For instance, single person households or single parent families typically rely on one income and so have lower capacity to meet housing payments. Larger households have more after housing expenses (for food, transportation, medical services) and also need larger dwellings, so may experience greater housing stress.

Age cohorts also affect likelihood of housing stress, with young adults (18–24) being most vulnerable to housing stress, while older people (over 65) generally have

lower levels of housing stress, because of the higher rates of home ownership among this group.

Even when there is an apparent match between the supply of lower-cost housing across an area and the number of lower income households, if this housing is occupied by higher-income households, high levels of housing stress will remain.

### **Sources of data**

- The South Australian Department of Families and Communities provides housing stress data at the local government level.
- In NSW, calculations of housing stress at the local government level are available through the NSW Housing Kit.
- See also the Australian Housing and Urban Research Institute report: 'Housing Affordability: A 21st Century Problem', by Judith Yates and Vivienne Milligan (2007) for more information on understanding housing affordability and stress in the Australian context ([www.ahuri.edu.au](http://www.ahuri.edu.au)).

## **Monitoring and updating your analysis**

After completing an initial housing needs analysis, it is important to keep this information updated. Many external sources of data are updated on an annual basis. Councils may also maintain their own sources of data that can contribute to monitoring housing needs within their area. For example, some inner city councils regularly conduct a survey of boarding houses in their areas (e.g. North Sydney Council). A housing question could be included in omnibus surveys undertaken by councils.

It is also important to keep talking to the major players and stakeholders in the local housing market to keep track of changes in the housing market. For example:

- real estate agents will help identify marked changes in housing prices/rents and any changes in the vacancy rates
- community groups, especially housing organisations, will be able to provide commentary on demand and supply trends in the area
- Indigenous housing organisations and Aboriginal Land Councils will be aware of changes affecting their communities
- interagency groups, often hosted by councils, will be a good source of information on people in housing need
- regional organisations of councils can often provide updates of housing market trends in their regions
- local or regional public housing staff may be able to provide information on broad trends in housing demand and supply in their region.

Data that should be updated on an annual basis include:

- population trends (based on the ABS Estimated Resident Population data and or state planning agency forecasts)
- employment trends (provided by the Department of Employment and Workforce Relations)

- house price/rents (in jurisdictions where this data is available)
- dwelling approvals by region or local government area (ABS)
- information on residential development approvals by type and configuration maintained by local council
- levels of new public or community housing development
- loss of low-cost housing stock, like boarding houses or caravan parks
- outcomes of any specific affordable housing mechanisms contained in the planning framework (as outlined in the following section).

## FROM MARKET ANALYSIS TO STRATEGIES FOR ACTION

The collection of data on various indicators of the housing characteristics and trends in the local area or region provide the evidence base for deciding upon the most appropriate affordable housing strategy for your area. If a clear picture of your local market has not emerged at this point, or if any outstanding issues have been identified, you may decide that further research or consultation is needed.

In drawing your key conclusions useful initial questions to consider are:

- Is there a reasonable balance between housing supply and demand across tenures?
- Is the housing that is being provided both *affordable* and *appropriate*?

If the answer to either question is no, then it is important to develop some strategies to address these issues.\*

Answers to the more detailed set of questions below will then help to identify appropriate responses when developing broader housing strategies and strategies that are particularly designed to promote affordable housing through the planning process (discussed in the next section):

- Is a large amount of new housing likely to be required to meet forecast demand, or regional housing targets and affordability goals?
- Is the existing housing stock/land supply a good match for the demographic profile of the area?
- Is there a particular group who are missing out?
- Has there been a marked loss of low priced stock in recent times?
- Are there large concentrations of low-income households in the area?
- Is affordability a major concern?

Table 6 shows various results that might have emerged from a local housing market analysis in different types of market situations, and matches them with issues to consider in relation to the existing planning framework for the area.

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\* From the *Local Government Housing Kit*, Centre for Affordable Housing, NSW Department of Housing, available at: [www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/](http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/)

**Table 6: From housing needs analysis to assessing the planning framework**

Housing needs and market analysis	Assessing your planning framework
<p>Need for new housing due to forecast increase in households and or population</p>	<p>Does your planning framework provide for a sufficient supply of residential land (for 10–15 years)?</p> <p>Is there a need to identify new housing opportunities by rezoning suitable land for residential uses or higher density residential development in appropriate locations (near transport and services)?</p>
<p>Need for larger/smaller dwellings, or adaptable/accessible dwellings due to changing demographic profile and household size, for example:</p> <ul style="list-style-type: none"> <li>▪ increase in numbers of families with children or group households</li> <li>▪ increase in couple or lone person households</li> <li>▪ ageing population.</li> </ul>	<p>Given existing residential development opportunities, is there a need to change zones or development controls to encourage:</p> <ul style="list-style-type: none"> <li>▪ appropriate residential lot sizes to meet projected housing need and promote housing diversity?</li> <li>▪ a sufficient new supply of larger or smaller dwellings?</li> <li>▪ a sufficient supply of well located housing suitable for seniors?</li> </ul>
<p>Need for additional housing for projected population increase associated with forecast economic/employment trends, for example:</p> <ul style="list-style-type: none"> <li>▪ anticipated new industrial development</li> <li>▪ growth in service sector</li> <li>▪ ageing population and need for aged care services</li> <li>▪ seasonal employment trends.</li> </ul>	<p>Given the existing supply of residential land, is there a need to identify new housing opportunities by rezoning for residential uses or higher density residential development in appropriate locations?</p> <p>Is there a need for additional seasonal housing opportunities, such as well located and serviced caravan parks, manufactured home estates, or zoning provisions allowing the development of temporary/permanent employee housing on specified sites?</p> <p>Do you need to introduce special mechanisms to encourage or generate dedicated affordable housing supply for this sector?</p>

<p>Proportion of population on very low incomes experiencing housing stress or at risk of housing stress, including:</p> <ul style="list-style-type: none"> <li>▪ increasing numbers of homeless people or people at risk of homelessness</li> <li>▪ people living in semi permanent accommodation such as residential parks and manufactured home estates.</li> </ul>	<p>Is there a need to protect important sources of low-cost, semi-permanent accommodation from the threat of closure, or introduce impact mitigation measures?</p> <p>Does your planning framework encourage or permit the development of new forms of low-cost, short term housing, like boarding houses or caravan parks?</p> <p>Does your planning framework encourage or require new dedicated affordable housing supply?</p>
<p>High spatial concentrations of people on low incomes, who may be at risk of social marginalisation or exclusion, for example:</p> <ul style="list-style-type: none"> <li>▪ large public housing estates</li> <li>▪ large concentrations of private tenants on low or moderate incomes</li> </ul>	<p>Is there an opportunity to encourage the renewal of these areas, through planning incentives that provide for affordable housing and mixed tenure development?</p> <p>Is there a need to protect existing sources of low-cost rental accommodation or introduce impact mitigation strategies?</p>
<p>Loss or shortage of low-cost rental housing stock and declining housing affordability, such as:</p> <ul style="list-style-type: none"> <li>▪ loss of low-cost rental housing opportunities such as boarding houses, rental flats, older housing stock, caravan parks, manufactured housing estates</li> <li>▪ loss or potential of lower-cost home purchase opportunities due to forecast increase in housing demand, due to population increase or likely process of urban renewal or gentrification</li> <li>▪ shortage of social housing opportunities (e.g. public or community housing, relative to demand)</li> </ul>	<p>Is there an adequate supply of serviced residential land or redevelopment opportunities (subject to local capacity)?</p> <p>Do you need to review the affordability impact of your development controls?</p> <p>Is a wide diversity of housing forms are permissible in as many well located areas as possible?</p> <p>Does your planning framework allow and encourage more affordable and diverse housing types, such as mixed commercial/residential development?</p> <p>Does your planning framework contain protective mechanisms for existing sources of low priced housing stock?</p> <p>Is there an opportunity to introduce planning incentives for affordable housing development?</p> <p>Is there an opportunity to negotiate planning agreements for affordable housing, on a voluntary basis?</p> <p>Is there an opportunity to introduce requirements for affordable housing contributions in defined circumstances?</p>

Source: Adapted from the *Local Government Housing Kit*, Centre for Affordable Housing, NSW Department of Housing.

## **PRINCIPLES OF LEADING PRACTICE**

### ***Undertaking housing needs analysis***

The following principles represent leading practice in undertaking a housing needs analysis consistent with these guidelines.

- Use the national terminology for describing affordable housing (though further qualifications in relation to your specific legal, policy, or program context may be required, depending on circumstance).
- Adopt the indicative price benchmarks (indexed accordingly) used in the nationally agreed definition of affordable housing as a key indicator of housing need in your local area or region.
- Consider the broader regional and sub regional housing market when undertaking your needs analysis by looking at your study area in relation to comparison areas.
- Refer to the key demand and supply indicators identified above (subject to availability).
- Refer to local sources of data to identify possible opportunities for residential development by the private market or community sector.
- Involve and consult with key stakeholders including local developers, public and community housing providers.
- Include systems to update your data, at least on an annual basis.

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## 3: CHOOSING THE RIGHT PLANNING MECHANISMS

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***This section:***

- identifies six key planning mechanisms for delivering affordable housing
- provides commentary on what each is likely to achieve, the advantages and limitations, the likely scale of influence, and the housing market or development circumstances in which the measure is most likely to be effective
- offers leading practice guidelines for the use of these approaches

There are two key opportunities to plan more effectively for affordable housing in Australia.

The first is to ensure the planning system fosters better housing outcomes in response to overall community needs. This means delivering a timely and adequate supply of land for housing, facilitating a mix of housing types in relation to forecast community need and demand, limiting the use of development controls that increase housing costs, coordinating infrastructure provision, planning for employment opportunities, to ensure good access to public transport and achieving efficient approval processes. These measures are described here as ‘land supply and development’ approaches, and ‘barrier reduction’ approaches. These approaches relate to the optimum function of the planning system overall, so are important considerations for all planning authorities to consider (while ensuring that essential controls guaranteeing building standards and amenity are maintained). They contribute to overall housing affordability but do not directly secure housing that is dedicated for low or moderate-income households.

The second approach is to introduce specific provisions to secure housing that will be dedicated to low and moderate-income households within established and new areas of development.

Combining both of these goals, the six measures described in this section are:

1. land supply and development
2. barrier reduction
3. protective mechanisms, including impact mitigation
4. planning incentives, including bonuses and graduated planning standards
5. voluntary negotiated agreements
6. mandatory inclusionary policies (site or area based) either
  - determined by a threshold; or
  - determined by negotiation.

These measures are not necessarily mutually exclusive, and may be pursued simultaneously depending on the particular characteristics of the housing market.

Further, it is important to remember that these planning mechanisms should support and maximise the impact of other housing assistance strategies, including financial levers to encourage affordable housing investment, or existing government strategies for affordable housing provision through public and community housing providers.

## CRITERIA FOR EVALUATING PLANNING APPROACHES

This guide does not prescribe particular planning approaches for affordable housing, but rather supports jurisdictions in selecting the approaches most suitable to their specific contexts. Criteria to consider are:

- *Likely scale of impact* given the extent and nature of affordable housing needs and local or regional market trends;
- *Appropriateness* of measure in relation to other strategic planning goals at the local, regional or state level; and its likely legality under state or territorial planning legislation;
- *Efficiency* the time and resources needed to implement and administer the mechanism on an ongoing basis, relative to other possible mechanisms and likely affordable housing return; and ensuring that measures do not contribute to market inefficiency (associated with additional complexity in regulation);
- *Equity* ensuring that the measure does not unfairly disadvantage a particular group or individual; that it does not contribute to market distortion (by favouring or unjustifiably deterring certain development sites or circumstances), and that the measure is able to be implemented in a way that is transparent;
- *Likely community or political support* for the measure and the necessary administrative or procedural changes needed to introduce it; and,
- *Sustainability principles*, including positive or negative economic outcomes, for each measure, which need to be assessed separately for each region, jurisdiction or market.

These criteria inform the analysis of each mechanism below, each of which is summarised in a table indicating its potential impact. National and relevant international examples are used to illustrate the implementation of these measures in practice. These examples are offered as an example to assist governments in further developing their own practice, and do not necessarily represent the only or best possible interpretation of the approach.

### 1. LAND SUPPLY AND DEVELOPMENT POLICIES

As part of an overall residential land supply strategy, affordable housing land supply strategies ensure there is sufficient land zoned for the affordable housing requirements of the community.

Ensuring an adequate supply of developable land for new housing in response to forecast future demand is a basic expectation of effective land-use planning. An undersupply of land for housing relative to demand can increase housing prices.

Furthermore, the time taken to convert land to housing means that it is essential to predict housing demand well in advance; ensure land release efficiency when demand shifts; and continuously monitor the market.

This is achieved by undertaking the housing market analysis described above, identifying suitable new development opportunities in the local area, and taking steps to ensure these potential opportunities become available. This is likely to require changes to the land-use plan to ensure the land can be used for residential development (often a rezoning) and to specify requirements for that development. It will also require anticipating and providing or facilitating the necessary physical and social infrastructure. Specific planning strategies for providing infrastructure include ensuring sequential land release so that infrastructure can be provided efficiently and requiring developers to contribute to infrastructure provision through clear contribution plans or requirements that are known in advance when the land is purchased.

Informing different actors of likely need for housing and of new opportunities for residential development (for instance, by assisting in the assembly of sites) is also an important strategy in facilitating new housing supply.

More specific mechanisms for enhancing affordability through land supply and development policies might include:

- land banking
- land development incentives or penalties
- betterment capture.

### **Land banking for affordable housing**

By purchasing land where growth is anticipated or planned to occur, government agencies can assist in stabilising land markets, discouraging monopolistic or ‘price inflationary’ behaviour. The government may also realise increased values when that land is actually released for development. A portion of this increased value can be secured for affordable housing that is incorporated onsite as part of a larger development, or applied elsewhere.

### **Land development incentives/penalties**

All major cities in Australia have growth management policies and land sequencing programs, setting out where development is to occur and establishing infrastructure provisions. While government’s role is to coordinate the planning for provision of infrastructure rather than assist with meeting infrastructure costs, governments might encourage the timely release of land by, for instance, making infrastructure contributions payable over a longer period of time or providing incentives for more efficient infrastructure delivery. Punitive charges to discourage withholding of land identified for development could include the imposition of urban rates for development sites that have not been released and developed within a time period specified by the development plan.

These policies can be reinforced by charges for releasing land out of sequence to offset the additional costs of providing infrastructure for this development.

## Betterment capture

This refers to placing development conditions on land to recover, for public purposes, the increased land value arising from changes to regulation and/or major public investment. For example, a planning authority could introduce a requirement for affordable housing to be provided on the land as a condition of its rezoning, which would be offset by the windfall from the increased land value. Betterment capture is also a way of delivering the necessary infrastructure for development to occur. One approach to managing betterment capture is through the requirement for development contributions, which also has administrative implications.

### **LEADING PRACTICE EXAMPLES**

#### ***NSW Precinct Acceleration Protocol***

The NSW Metropolitan Development Program identifies two major areas for new Greenfield development – the North West and South West growth centres. A program of sequenced land release has been introduced to coordinate the provision of infrastructure to new developments. Under the Precinct Acceleration Protocol, areas can be brought forward for release subject to satisfying additional infrastructure provision requirements.

#### ***Brisbane City Council draft Local Growth Management Strategy***

Brisbane's draft Local Growth Management Strategy seeks to implement the directions and residential development targets contained in the South East Queensland Regional Environmental Plan. The residential development component of the strategy aims to respond to housing affordability needs and provide a more diverse mix of dwellings, to cater to 'all socio-economic and age groups'. It identifies areas for new development and redevelopment and facilitates strategies for efficient infrastructure use and provision.

#### ***LandCorp Western Australian***

30 Month Building conditions. LandCorp imposes sales conditions on all regional developments which require building to commence within 30 months to encourage genuine home buyers and deter speculators from buying LandCorp lots.

## What is this measure likely to achieve?

In broad terms, increasing land supply for residential development will only be an effective affordability measure if there is a shortage of land relative to demand. This situation was found to have developed in parts of the UK over the past 20 years. A definitive review of housing supply in the UK ('the Barker Review') found that inadequate provision of housing supply in response to increased demand for housing had contributed to a worsening of housing affordability, a widening wealth gap between home owners and others, significant regional house price differentials which reduced labour mobility and overall reduced economic welfare.\* Thus, raising housing numbers where there is a shortage of housing is likely to improve housing

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\* Barker, K. (2004) 'Review of housing supply—Delivering stability: Securing our future housing needs', Final Report, Office of the Deputy Prime Minister, London.

affordability in the private market, and offer greater housing market stability and a location of housing supply that supports patterns of economic development.

Even so, the Australian Productivity Commission inquiry into first home ownership emphasises that land supply is only one component in house price increases.\* Similarly, the Barker Review emphasised that the release of new land for housing is not sufficient in itself as a solution to affordability problems. It is critical to consider the location of this land in relation to actual demand for housing as well as the environmental and social externalities and costs of development. Barker considered reducing costs associated with urban sprawl and retaining open greenfield land significant in land supply decisions. Achieving new supply within established urban areas, by identifying sites suitable for redevelopment, and by enabling the adaptation of existing housing subject to appropriate design controls, remains important.

Another component of achieving a sufficient supply of housing is ensuring that the process of development approval for new housing is as efficient as possible. Uncertainty and delays in development approval add to the cost of producing housing, and delays also exacerbate housing shortages relative to demand. The Barker review recommended that the planning process in Britain achieve greater certainty and speed ‘though not at the expense of making bad decisions’.<sup>†</sup>

In the Australian context, efficiency means that planning controls and expectations should be clear and consistently applied, so that a development achieving the stated controls and requirements will be approved quickly. Where negotiations or changes to planning controls are sought, a clear strategic planning framework establishing the objectives for the area, and desired outcomes of development, including affordable housing, as well as likely additional requirements associated with planning control variations, provides a basis for efficient development assessment.

The Australian states and territories have begun changing their planning systems to simplify development assessment, particularly for routine development like single dwellings. Changes include specifying standard templates or formats for local plans with mandatory state policy requirements (for instance, the Victorian Planning Policy Provisions for local planning schemes, and the NSW Standard Instrument for Local Environmental Plans), and identifying types of developments that will be approved if they meet specified codes or standards (for instance, ‘code assessable’ development under Queensland’s *Integrated Planning Act 1997*, ‘complying development’ under the NSW *Environmental Planning and Assessment Act 1979* and in Western Australia, ‘acceptable development’ under the Residential Design Codes).

Greater consistency in local plan formats and requirements should reduce complexity and facilitate development processes. However, major development and redevelopment projects often seek a variation to existing planning requirements, necessitating a more stringent assessment and negotiation process, which may be more expensive or slower.

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\* Productivity Commission (2004) ‘First Home Ownership’, Report no. 28, Melbourne.

† Barker (2004) ‘Review of housing supply—Delivering stability: Securing our future housing needs’, Final Report, Office of the Deputy Prime Minister, London p. 6.

## In summary: Land supply and development policies

### Advantages

- *Systemic land supply and development enhancements* seek to improve existing practice and are likely to be welcomed by many stakeholders. Similarly, simplifying planning requirements and reducing the potential for extended development assessment times also represent good planning practice and could significantly reduce the costs associated with housing development, in cases where avoidable planning delays have been occurring.
- *Land development incentives and penalties*, by deterring out of sequence development through punitive charges, achieve more efficient infrastructure, with overall savings in the cost of producing housing.
- *Employment and facilities development in outer areas* can reduce the cost of living by reducing the need to travel and reducing demand pressure on inner city housing (and therefore price inflation).
- *Betterment capture* could provide a significant source of funds for new affordable housing development.

### Limitations

- *Systemic land supply and development enhancements* contribute to overall market efficiency but do not contribute to specific affordable housing development.
- *Land banking by government organisations* represents a significant long-term investment with associated opportunity costs. Specific direct gains to affordable housing supply are limited.
- *Land development incentives and penalties* have overall market benefits but will not contribute significantly to dedicated affordable housing supply.
- *Betterment capture* is technically and legally complex and difficult to implement.

## Where will this measure have the greatest impact?

Improving the responsiveness of land supply programs will have the greatest impact on affordability in markets and regions where there is a shortage of housing development opportunities relative to existing and forecast demand. It can be difficult to gauge the impact of new supply programs on affordability across a whole region as housing markets and sub-market characteristics can differ substantially. Therefore new supply programs on the metropolitan fringe may have only a minor impact on house prices or the availability of lower-cost housing stock in established or inner city housing markets. For this reason, attempts to improve the responsiveness of housing supply within even established urban areas by enabling the redevelopment of under-used sites and the appropriate conversion or intensification of existing housing are also important—where there is a demonstrated demand for such housing.

Table 8 (and similar tables that follow throughout the section) summarise the potential outcomes of each planning measure across generalised Australian housing market geographies. The tables need to be read in conjunction with the preceding

text about each planning mechanism. They should help in giving priority to approaches that can be investigated for implementation at local or regional levels, but are not a prescription for particular jurisdictions to follow. The assessment was undertaken in relation to the criteria for evaluating planning approaches identified above and draws on AHURI research into planning approaches for affordable housing (Gurran *et al.*, forthcoming). A key to the table follows.

**Table 8: Potential effectiveness of land supply programs**

Market mechanism	Inner city	Middle ring	Outer ring/ designated growth area	Regional (high growth)	Regional (low growth)
Systemic land development enhancements	✓✓ ...if supply blocked due to process issues	✓✓ ...if supply blocked due to process issues	✓✓✓ ...may ensure release strategies respond to supply	✓✓✓ ...may ensure release strategies respond to supply	✓✓ ...if lower growth due to systemic planning problems at local or regional area
Government land banking	✓ ...but high cost to government, unless already public land	✓✓✓ ...if land secured at lower prices, to facilitate steady release in response to need	✓✓✓ ...if land secured at lower prices, to facilitate steady release in response to need	✓✓✓ ...if land secured at lower prices, to facilitate steady release in response to need	✓ ...if high demand projected in future
Development incentives and penalties – Penalties	✓ ... where high land values most likely holding costs will drive development penalties unlikely to be necessary	✓✓ ... most likely holding costs will drive development but may be effective where speculative land holding is a risk	✓✓✓ ... to discourage speculative land holding	✓✓✓ ...to discourage speculative land holding	✓✓ ...to ensure development proceeds in efficient sequence
Development incentives and penalties – Incentives	✓✓✓ High land values mean incentives which deliver additional yield or reduce costs likely to be taken up	✓✓✓ Higher land values should support. Depends on location if no strong resident objection to incentives that increase yields likely take up	✓✓ Dependent on land values Need to consider whether certain incentives e.g. reduction car parking can be supported given service levels	✓✓✓ Dependent on land values Need to consider whether certain incentives e.g. reduction car parking can be supported given service levels	✓✓ ...Land values may not support take up of incentives which increase yields E.g. density bonuses or reduction in car parking may not be effective
Betterment capture	✓✓✓ ... planning approval very valuable in these contexts	✓✓ ...depending on level of value uplift	✓✓✓ ...large scale rezoning from rural to residential = significant value uplift	✓✓✓ ...large scale rezoning from rural to residential = significant value uplift	✓✓ ...if rezoning to residential or rural residential creates significant value uplift
Zoning for affordable housing	✓ ...if applied to public land or as a proportion of large redevelopment sites in single ownership	✓ ...if applied to public land or as a proportion of large redevelopment sites in single ownership	✓✓ ...if required as a proportion of large new release sites in private ownership or to public land.	✓✓ ...if required as a proportion of large new release sites in private ownership or to public land	✓ ...if required as a proportion of public land but not usually indicated in areas of low growth

Source: Derived from Gurran *et al.* (forthcoming).

✓✓✓	Mechanism is generally associated with high potential impact on affordability goals.
✓✓	Mechanism may have a positive impact on affordability goals, depending on local market characteristics.
✓	Mechanism may be worth further investigation, depending on local market characteristics.

## **PRINCIPLES OF LEADING PRACTICE**

### ***Land supply and development***

Leading practice in land supply and development contributes to greater housing affordability in the private market and, in some cases, specific land supply mechanisms may contribute to additional dedicated affordable housing supply, in line with these principles:

- Facilitate the long-term supply of residential development and redevelopment opportunities (at least 10–15 years) at regional and local levels.
- Link land release/redevelopment to efficient infrastructure use and provision strategies.
- Enable 'out of sequence' development, subject to approved strategy for infrastructure provision and demonstrated housing demand/need.
- Actively monitor take up of residential development opportunities, and revise projections in response to changed circumstances.
- Achieve certainty in infrastructure contribution requirements, so they can be incorporated in land purchase decisions.
- Facilitate land assembly in preferred locations.
- Introduce signals/mechanisms to deter 'land holding' (withholding from the market) by developers.
- Ensure planning and development control requirements are clear and consistently applied.
- Achieve timely approvals.

### ***Pitfalls to avoid***

- Complex or lengthy planning assessment processes.
- Bottlenecks or surges in residential land availability.
- Geographic or market segment shortages (for example, enough in the southwest, but not enough in the northwest).
- Gaps in land supply sequences (enough in long term, but insufficient short term).
- Excessive or uncertain fees and charges associated with planning approval.

## How to use these measures

- a. Audit planning controls and processes for clarity, speed and responsiveness to demand for new housing supply.
- b. Identify potential, well located sites for future residential development that are publicly owned or could be acquired by government.
- c. Consider using a public land development agency to identify and assemble residential development opportunities, in line with specific affordability objectives, particularly in contexts of existing or potential high housing demand.
- d. Identify potential areas for rezoning and signal any intended approaches to betterment capture (set levies or specific contribution requirements).
- e. Consider allocating sites or setting a proportional requirement for the delivery of new affordable housing within large master-planned areas or new release areas.

## 2. BARRIER REDUCTION STRATEGIES

Planning policies either individually or in combination may discourage or restrict affordable housing provision in new developments. Barrier reduction strategies aim to minimise the impact of these constraints on affordable housing.

Barriers to affordable housing development include restrictive planning controls to prevent diverse or low-cost housing forms (like duplexes, flats, boarding houses, or manufactured homes). Barriers to affordable housing development might also make building costs more expensive by mandating inclusions or finishes that are expensive, like generous building setbacks or open space requirements, or the use of particular building materials.

Covenants on building titles can also act as a barrier to affordable housing, by specifying compliance with additional design codes, and limiting the way properties can be used—for instance, preventing vehicles from being parked on the street. In this way covenants can deliberately or indirectly prevent certain groups of people, including lower income groups, from living in a particular area. Some covenants even restrict who can own properties, with social housing providers being barred from certain housing estates due to express prohibitions on title.

Approaches to reduce the impact of such barriers may focus on:

- *Planning controls* such as enabling a mix of housing types and sizes to be provided including secondary dwellings, small lot dwellings, single duplexes and other low-impact multiple dwellings in a low density residential zone.
- *Building controls* such as minimum bathrooms, garages, or restrictions on diversity of house types (for example, multifamily, apartments, caravan parks).
- *Preventing restrictive covenants* such as provisions put on title to limit the use of the property or prohibiting certain uses, such as boarding houses, or covenants that mandate high-cost finishes that add to the cost of development.

## **LEADING PRACTICE EXAMPLES**

### ***Victorian Planning Provisions – rooming houses***

The Victoria Planning Provisions (VPPs) exempt rooming/boarding houses of up to ten habitable rooms in residential areas from a planning permit. This provision reflects a longstanding policy to ensure that prejudice does not stop disadvantaged people from finding housing in well-serviced areas and taking their place in the community.

### ***United States’ barrier removal strategy***

The US Federal Department of Housing and Urban Development has established a program to help state and local governments identify and remove barriers to affordable housing development, and identify planning controls that make housing more expensive to produce. The Department has also established a Regulatory Barriers Clearinghouse ([www.huduser.org/rbc](http://www.huduser.org/rbc)), which maintains information about state and local initiatives to remove regulatory barriers to affordable housing. These initiatives include reducing minimum lot sizes, ensuring diverse and higher density housing types are permissible, reducing car parking, setback or open space requirements, and enabling more affordable building forms (like manufactured homes).

### ***Western Australia Local Planning Scheme provisions***

In Western Australia, Local Planning Scheme provisions allow for the cancellation of restrictive covenants and have unilaterally removed those covenants which restrict residential density beyond the level applicable under the Local Government Scheme.

## **What are barrier reduction measures likely to achieve?**

Barrier removal approaches can have a direct influence on house prices, at least at the lower end of the market where the margins between profit and production costs are smaller. Barrier removal approaches also improve response to demand by increasing the diversity of housing types that can be provided.

### **Advantages**

- Barrier reduction strategies contribute to better overall performance of the planning system.
- They provide an important opportunity to revise existing planning schemes to enable more diverse housing forms within existing areas.
- They ensure that existing traditional low-cost rental housing like boarding houses or hotel accommodation remains permissible within residential areas, and can be replaced.
- They enable existing housing to diversify without dramatic changes to prevailing neighbourhood character or the need for major new investment in redevelopment (for example, by permitting dual occupancies or accessory dwellings like ‘granny flats’ or ‘garden apartments’).

## Limitations

Where there is escalating housing demand and intense competition between buyers or renters, there is no guarantee that full development cost savings will be passed onto the occupant of the dwelling. As house prices are determined by the market, not the actual costs of production, sometimes barrier removal strategies will only achieve more diverse housing forms rather than any significant shift towards housing that is affordable to low and moderate-income households. As the primary objective of barrier reduction strategies is to contribute to more housing supply and greater housing diversity, the inability to ensure that new housing created is offered at lower price points while the most desirable outcome should not be seen as a failure of the approach.

Barrier reduction approaches can be opposed by local residents and politicians on the basis that they undermine existing amenity, character, heritage or environmental quality. For example, a new building without eaves can reduce housing cost but increase energy and environmental costs, and create a negative visual impact. Any cost reduction strategies need to be carefully evaluated to ensure any cost reductions still maintain acceptable levels of amenity and environmental quality.

## Where will this measure have the greatest impact?

Barrier reduction strategies can increase housing development opportunities—specifically, housing that is affordable to lower income groups—improving low-cost residential development opportunities without the need for major new land release. They are particularly appropriate in circumstances where new land release opportunities are limited.

The scale of impact of this approach will have the greatest short-term impact where existing planning controls are most restrictive and where the market is relatively buoyant. Where lower-cost housing forms are needed and significant barriers to diverse housing development exist, removing these barriers could actually stimulate the housing market.

Explicit barrier reduction strategies in new release areas can also ensure that diverse housing types and forms are encouraged. Given the increasing trend towards master-planned residential estates, often by a single developer who uses a covenant system to impose additional design or other restrictive controls on title, it is important to establish a policy approach that prevents restrictive or exclusive covenants in new residential areas.

### **PRINCIPLES OF LEADING PRACTICE**

#### ***Barrier reduction strategies***

Strategies that remove unnecessary land use planning barriers to affordable housing development can achieve leading practice in line with the following principles.

- Ensure planning schemes permit and promote a variety of housing types and forms in appropriate locations.

- Eliminate unnecessarily onerous or prescriptive design requirements, including proscriptive covenant stipulations for new residential development.
- Reduce barriers to the appropriate adaptation or redevelopment of existing housing in established areas.
- Ensure planning schemes permit the replacement of housing forms under threat of redevelopment (like boarding houses).

**Pitfalls to avoid**

- Avoid removing controls that are justified for other important planning criteria, like public safety, environmental protection, heritage conservation, or the efficient provision of infrastructure and amenity. Seek to offset any affordability effects of these controls by using other planning approaches for affordable housing.

**Table 9: Potential effectiveness of barrier reduction strategies**

Market mechanism*	Inner city	Middle ring	Outer ring/ dedicated growth area	Regional (high growth)	Regional (low growth)
Planning controls – enabling, encouraging or requiring a mix of housing types	✓✓✓ ... where there is significant capacity for new housing development, intensification, or adaptation of existing housing to meet changing needs	✓✓✓ ... where there is significant capacity for new housing development, intensification, or adaptation of existing housing to meet changing needs	✓✓✓ ... to achieve opportunities for diverse housing types at different price scales, within new development areas	✓✓✓ ... to achieve opportunities for diverse housing types at different price scales, within new development areas	✓✓✓ ... potentially important to ensure that new housing development meets diverse population needs
Building controls – removing unnecessary requirements	✓✓ ... to promote greater housing diversity but removing controls may be difficult in inner areas due to density	✓✓✓ ... within established areas with unnecessarily restrictive controls on housing development	✓✓✓ ... to ensure that planning controls in new release areas do not add unnecessarily to the costs of housing production	✓✓✓ ... to ensure that planning controls in new release areas do not add unnecessarily to the costs of housing production	✓✓ ... where housing diversity is constrained by unnecessarily restrictive planning controls
Covenants – eliminating exclusionary requirements on title	✓ ...if covenants used in redevelopment projects within this market	✓✓✓ ...in relation to redevelopment projects or master-planned estates	✓✓✓ ... addresses exclusionary covenants in master-planned estates in new release areas	✓✓✓ ... addresses exclusionary covenants in master-planned estates in new release areas	✓✓✓ ... in situations where master-planned estates developed on greenfields sites

Source: Derived from Gurran et al. forthcoming

\* More research is needed to determine the extent to which these controls exist within local government planning schemes.

✓✓✓	Mechanism is generally associated with high potential impact on affordability goals.
✓✓	Mechanism may have a positive impact on affordability goals, depending on local market characteristics.
✓	Mechanism may be worth further investigation, depending on local market characteristics.

## How to use these measures

- a. Ensure that zoning/development control tables enable, encourage or require diverse housing types in as many locations as possible.
- b. Audit existing development standards and processes to identify controls or procedural requirements that cannot be justified on environmental, heritage, amenity or other important planning grounds given their impact on building or development costs; and scrutinise the effect on affordability of any proposed new requirements.
- c. Carefully consider where necessary or rule out private covenants for new housing estates, where these requirements are inconsistent with local planning goals established by the community, including goals relating to affordable housing.

## 3. PROTECTIVE AFFORDABLE HOUSING POLICIES

Protective affordable housing policies keep low-cost accommodation within an area or mitigate its loss. Such policies can be site-specific or target incremental changes that cumulatively reduce the availability of particular housing types.

Many areas retain important supplies of affordable accommodation, such as low-cost rental flats, boarding houses, hotel accommodation, shop top apartments and caravan parks. This housing may be threatened by redevelopment to accommodate new population growth or to upgrade decaying residential areas. In non-metropolitan areas, low-cost rental housing and residential parks are often attractive development sites for higher value tourism or permanent accommodation. Some of this redevelopment ensures continued amenity, housing improvement and housing demand, which in turn maintains investment and economic prosperity within an area. But these processes can also displace lower-income groups and result in an overall shortage of affordable accommodation options in an area.

Protective mechanisms can control the demolition, change of use, and redevelopment of identified low-cost housing, such as boarding or rooming houses, hotels, caravan parks, or low-cost flats meeting defined criteria. They might also require a social impact assessment to be undertaken as part of the development approval process. Where redevelopment is permitted, remedies associated with protective mechanisms include setting aside a portion of new housing to be available for low-income people (in perpetuity or for a defined period of time) or financial assistance for relocating existing tenants.

Protective mechanisms need to be part of a longer-term strategy to increase the supply of affordable housing in areas of high need or they may merely lead to disinvestment in existing low-cost rental housing stock.

Examples of protective affordable housing policies include:

- *Impact mitigation*—conditions attached to a development approval to compensate for an identified adverse environmental impact of the development. For example, redevelopment of existing affordable housing may be permitted if the proponent replaces it with an equivalent supply of affordable housing.
- *Requiring social impact assessments*—where a social impact assessment must be undertaken to determine impact on affordable housing in the area prior to approval.
- *Controls for specific housing types*—provisions which prevent the removal of specific forms of affordable housing such as residential parks or boarding houses
- *Controls that limit housing size*—to encourage the preservation of existing affordable housing stock, or limit the cost inflation associated with replacing existing housing with larger houses accommodating the same number of people (which perhaps also invites the opportunity for additional infill housing).

For the approach to be effectively implemented, protective requirements need to be clear and planning authority staff need to be trained in the interpretation of these requirements, and in identifying development proposals that are subject to these protections. Planning assessment staff also need to be effective at negotiating payments or other housing assistance to offset the impact on low-income residents if a project is approved.

## **LEADING PRACTICE EXAMPLES**

### ***NSW SEPP No. 10: Retention of Low Cost Rental Housing***

SEPP 10 provides a mandatory planning framework to regulate and mitigate the loss of low-cost rental housing in the Sydney metropolitan region. As well as controls on demolition, the policy establishes a social impact assessment framework to determine the impact of accommodation loss on existing low income tenants, and provides for various mitigation measures in cases where applications are approved. These measures include maintaining a proportion of the new development at a fixed rent for a defined period, a financial payment, and or assistance to former tenants with rehousing.

### ***City of Port Phillip – protection of rooming houses***

The City of Port Phillip in inner Melbourne has a comprehensive local planning policy to protect existing 'rooming houses' from redevelopment. This policy is supported by a package of local forms of assistance to assist operators to remain viable. The planning scheme actively encourages the development of new rooming houses in the area.

### **Hastings Council – Social Impact Assessment Policy**

Hastings Council, on the mid-north coast of New South Wales, requires a Social Impact Study to be prepared for residential and rural residential rezonings. Social Impact Studies must also be submitted by applicants for a range of other matters, including:

- displacement of permanent or holiday accommodation for lower-income people
- housing for older people or people with a disability
- caravan parks and mobile home parks
- tourist facilities with a value in excess of \$2 million.

The policy includes a range of social impacts and issues to be addressed by the applicant. Council has prepared a guide to preparing a social impact study, but the specific requirements for individual studies are determined in consultation with Council planners.

## What are protective measures likely to achieve?

Provided that protective measures are introduced at a time when significant sources of low-cost accommodation remain in an area, they may prevent, slow or offset the loss of this housing. It may also introduce an additional burden to the conversion of low-cost housing and reduce pressure for redevelopment, even in speculative development markets.

### **Advantages**

- Protective mechanisms provide a tool for identifying important sources of low-cost housing and for reducing the displacement of lower-income groups during gentrification.
- They signal to developers that affordable housing is important and valued in the local area and that proposals which threaten existing affordable housing supply need to demonstrate how this impact will be offset.
- They reduce the demand for new (replacement) housing and therefore the pressure on the building industry, which has inflated the cost of new housing.
- Protective mechanisms also reduce the demand for reconstruction of homes, conserving older buildings.

### **Limitations**

- There are often loopholes in implementing requirements that prevent or curtail redevelopment or change of use of low-cost housing stock.\*
- It is not desirable for substandard housing to continue in the rental sector, but protective measures can act as a deterrent to renovation. Alternatively, protective controls may be evaded if the developer is able to show that the housing is substandard and that major redevelopment or renovation is required.
- Effective implementation of this tool requires sound knowledge of the type and location of affordable housing stock within the local region as developers

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\* Greenhalgh, E, Minnery, J, Gurrán, N Jacobs, K and Phibbs, P., (2004) *Boarding Houses and Supply-Side Intervention*; Australian Housing and Urban Research Institute Final Report, Melbourne, available at [www.ahuri.edu.au](http://www.ahuri.edu.au)

will not always voluntarily identify that their proposal affects existing low-cost housing stock.

For these reasons, the measure is not sufficient in itself as a way of preserving low-cost housing. Some states have sought to strengthen protective measures through grant programs that contribute to or offset costs of essential upgrading of boarding houses to meet fire safety requirements.

When using this tool, ensure that it does not act as a disincentive to the establishment of or investment in established low-cost housing or in new or replacement stock. Barrier removal mechanisms to facilitate new development of lower-cost stock and incentives (discussed below) can address this possibility.

### Where will this measure have the greatest impact?

Protective measures have greatest effect where there is an existing supply of low-cost housing that is under threat of redevelopment. They are particularly important during periods of rapid population growth in existing urban areas and high amenity destinations.

Protective measures are also critical where there are limited alternative sources of low-cost housing remaining in an area so the stock that exists is particularly important for those who depend on it. An example is a caravan park affected by a redevelopment proposal, where occupants have almost no comparable alternatives within the area.

Protective measures are important in both inner city contexts where traditional sources of low-cost accommodation including boarding houses and hotel rooms remain, as well as in middle and outer ring metropolitan areas providing lower-cost rental flats, caravan parks, or manufactured home estates, and in coastal or inland settings where caravan parks are at threat of redevelopment for tourist developments or housing estates.

**Table 10: Potential effectiveness of protective mechanisms**

Market mechanism	Inner city	Middle ring	Outer ring/ designated growth area	Regional (high growth)	Regional (low growth)
Impact mitigation conditions	✓✓✓ ... where remaining low housing cost stock is at risk, housing need is high, and few alternative low-cost housing sources exist	✓✓✓ ... where remaining low housing cost stock is at risk, housing need is high, and few alternative low-cost housing sources exist	✓✓✓ ... in areas where low-cost housing such as caravan parks and manufactured home estates subject to redevelopment pressure	✓✓✓ ... in areas where low-cost housing such as caravan parks and manufactured home estates subject to redevelopment pressure	✓✓✓ ...if caravan parks and manufactured home estates under threat of redevelopment
Social impact assessment requirement	✓✓✓ ... to assess housing impacts of all major developments	✓✓✓ ... to assess housing impacts of all major developments	✓✓✓ ... alternative to specific controls where caravan parks or manufactured home estates are at risk	✓✓✓ ... to assess housing impacts of all major developments, such as tourism developments	✓✓✓ ...to assess impacts of major developments associated with need for employee housing

Controls to protect low-cost housing supply	✓✓✓ ... when a specific type of housing is at risk	✓✓✓ ... when a specific type of housing is at risk	✓✓✓ ... when a specific type of housing is at risk	✓✓✓ ... when a specific type of housing is at risk	✓✓ ... if existing low-cost housing is at risk and alternatives not available
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Source: Derived from Gurran et al. forthcoming.

✓✓✓	Mechanism is generally associated with high potential impact on affordability goals.
✓✓	Mechanism may have a positive impact on affordability goals, depending on local market characteristics.
✓	Mechanism may be worth further investigation, depending on local market characteristics.

## PRINCIPLES OF LEADING PRACTICE

### Protective mechanisms

Leading practice in the use of protective mechanisms for affordable housing observes the following principles:

- Ensure planning instruments contain an overall planning objective to maintain existing levels of affordable housing.
- Require social impact assessments to be conducted for development that could threaten the existing supply of affordable housing.
- Introduce specific controls to preserve particular types of housing stock that may be threatened by redevelopment.
- Support protective mechanisms with incentives or offsets designed to enhance or maintain the amenity, standards and viability of low-cost housing.
- Maintain accurate and up-to-date information about existing affordable housing stock within the local area, so development assessment officers can identify applications that may threaten sources of affordable housing, and assess the potential impacts of this for residents in housing need.
- Monitor losses to the low-cost housing sector as well as any replacement stock.
- Consult local public housing staff and or community housing providers when a boarding house, caravan park or manufactured home estate closes, and seek their advice when developing a mitigation strategy, particularly if the strategy involves assistance with rehousing.

### Pitfalls to avoid

- Avoid introducing planning controls for low-cost housing forms (like boarding houses) that are unnecessarily prescriptive and which might deter operators from undertaking necessary health and safety works to upgrade their stock, or otherwise discourage them from remaining in the low-cost housing sector. Alternatives to prescriptive ('black letter') regulation, such as risk-based or performance-based approaches, promote flexibility and can reduce costs while preserving significant outcomes such as safety.

- Ensure that protective mechanisms do not encourage operators to ‘run their properties down’ or leave them vacant as a way of demonstrating poor viability and need for demolition or redevelopment.
- Avoid introducing protective measures that deter new applications for replacement or additional low-cost housing developments within the area.

### How to use this measure

- Identify sources of affordable housing likely to be redeveloped or other development processes affecting the need for low-cost accommodation.
- Identify measures to offset the impact of these processes on low-income households within the area (which will depend on the availability of other housing, relocation costs, etc.).
- Identify a trigger for social impact assessment provisions to apply in cases of large scale redevelopment/development processes, if these are likely.
- Identify controls to retain, replace or manage the redevelopment of specific stock at risk.

## 4. PLANNING INCENTIVES

Planning incentives encourage affordable housing provision by reducing costs associated with affordable housing development.

Incentives are valuable to developers because they directly or indirectly reduce the costs associated with development, for instance, by reducing certain development standards, or by expediting approval processes. Incentives can make a project more profitable, for instance, by permitting greater density of development than might otherwise be allowed. They can also help non profit affordable housing providers achieve a higher yield and so facilitate more subsidised affordable housing within an area.

Planning incentives include:

- graduated planning standards that relax controls subject to performance criteria;
- bonus systems that enable additional development capacity for affordable housing development; and
- planning process incentives to facilitate approval of affordable housing proposals.

### Graduated planning standards

These are performance-based planning standards (as opposed to flat rate or universal planning standards) that can be used to increase site yield and facilitate the provision of affordable housing in designated areas. They are commonly used in

Australia for boarding houses, student accommodation, retirement villages and accessory dwellings.

Examples of graduated planning standards include:

- open space standards that increase proportionally to the size of the dwelling or number of bedrooms
- car parking standards that reflect the location or the needs of future residents of building (such as less car parking for dwellings in centres with services and high quality public transport within walking distance or retirement housing)
- use of plot ratio scales for determining building scale.

## Bonus systems

These relax planning standards in exchange for affordable housing in designated areas. Bonus systems are more often used in specific development negotiation and assessment, while graduated planning standards are defined by the planning policy. Developers may be offered additional development capacity for a site through the relaxation of density standards in return for a commitment to provide affordable housing (either on or off site, in cash or in kind).

Examples of incentives via bonus systems for a specific development:

- reduced setback and density restrictions
- reduced private and public open space requirements
- reduced car parking requirements (justified in terms of future need).

## Planning process incentives

Special processes to speed up the development assessment process can be an incentive to provide affordable housing. Additional incentives might include reduction of or exemption from fees and charges. Examples of planning process incentives include:

- expedited processing of development applications
- a dedicated assessment team
- reduction or exemption of development application fees
- reduction or exemption in infrastructure charges
- reduction or exemption of rates.

There are several ways in which these incentive mechanisms can be used. Incentives can encourage developers to produce housing that is suitable for lower income earners to rent purchase on the private market. For instance, many local councils permit increased the costs of residential development, with a proportion of this offset applied to an affordable housing program. The value of the planning variation or bonus is shared between the developer and the consent authority, who receives a contribution towards affordable housing (either as housing, land or a monetary payment). The bonus development rights scheme developed by Waverley Council discussed below is an example of this approach).

Incentives can be also be used to reduce the cost of development or achieve greater yield for specific affordable housing developments. If a concentration of affordable

housing within a particular project was a concern, the affordable housing developer itself might be permitted to sell part of the project to the private sector, thus achieving a mixed tenure development and cross subsidising the affordable component.

Often developers are able to select from available planning incentives or concessions to offset the costs of complying with mandatory affordable housing requirements (also discussed below).

## **LEADING PRACTICE EXAMPLES**

### ***Ashfield City Council – floor space ratio for shop-top housing***

Ashfield City Council has a bonus floor space entitlement to encourage shop-top housing in its commercial area. The incentive is defined in its main planning scheme, the Ashfield Local Environmental Plan. Under the plan, developers may achieve an additional floor space ratio within the commercial zone, if the development combines residential and commercial development. In other words, sites can be used more intensively for mixed housing and commercial development. Shop-top housing is the most common outcome of this incentive. As Ashfield's commercial areas are close to public transport and services, shop-top accommodation contributes to compact city goals, more affordable housing opportunities in the private market and main street vitality.

### ***East Perth Redevelopment Authority (EPRA)- WA 10 - 15% Social or Affordable housing***

In September 2002, EPRA adopted a target of allocating 10-15% of all residential accommodation built on land released after the policy date would be designated for either social or affordable housing. The current policy is being implemented through a three-pronged approach:

1. Social housing through the State's Department of Housing and Works (including families, singles, aged care and special needs);
2. Affordable rental accommodation (through recognized not-for-profit care based and community housing co-ops); and
3. Affordable 'owner occupied' housing, (AOO) through density bonuses granted to private sector developers.

#### ***Affordable Owner-Occupied Housing***

This component of the policy involves the private sector purchasing land from EPRA and being granted a density bonus (for extra residential units on the land), subject to some of the extra units being developed and sold as Affordable-Owner Occupied (AOO) housing. Defined as 'affordable owner-occupied housing', this will result in eligible people being able to purchase an affordable property and live in the inner city. It provides affordable housing for those on low to middle household incomes that may not be eligible for public housing, but satisfy EPRA's eligibility criteria.

To ensure AOO units, remain affordable in the future and after resale, EPRA has devised a system where restrictions are placed on the Certificate of Title and Strata Management Scheme. This will ensure that AOO units are only on sold to other eligible buyers and transfer of ownership will only occur through a controlled process (i.e. no wills, private sales or bequests). The AOO units are built as part of a residential or mixed-use development and therefore from the street they will look exactly the same as other units. Different internal fixtures and smaller unit sizes will keep construction costs down. Eligibility' criteria will differ with each development, but may include:

- Maximum assessed household annual income of \$50,000;
- Deposit requirements of \$2,000 or 2% of purchase price;
- The maximum levels for mortgage repayments and other housing costs not to exceed 31-35% of assessed household annual income;
- Asset limit test i.e. no ownership of other real property will be allowed after settlement and purchasers will not be able to have liquid assets exceeding 10% of the purchase price at the time of purchase.
- Candidates who meet the eligibility criteria will go into a ballot for the right to purchase one of the AOO units.
- AOO dwelling sale prices vary on each site and will be determined when the public ballot processes are run. The objective is that they will be affordable to people on low to middle incomes.

### ***Waverley Council – floor space bonus scheme***

Waverley Council is situated in an established, high-value urban area in the eastern suburbs of Sydney. Under the local planning scheme (Waverley Local Environmental Plan 1996), developers may take up a voluntary density bonus if they provide affordable housing as part of a residential development. The bonus mechanism is defined through the planning scheme with detail contained in a supporting instrument (Development Control Plan 1: Multi-Unit Housing). The density bonus is capped at 15 per cent above the base standard floor space ratio, and the projected profit associated with the increased yield shared on a fifty-fifty basis with the Council according to a prescribed formula.

The contribution may be provided as a one-off monetary payment to Council's Housing Reserve and/or the transfer of individual dwelling units within the development to Council. The units may be transferred in perpetuity or leased to Council at below market rates for a specified period of time. Once procured, the units are managed by a non-profit community housing organisation on behalf of Council. Since its introduction in 1999 the scheme has produced 27 properties, of which 13 are owned in perpetuity and 14 are rent capped. To see the Willoughby Development Control Plan (WDCP) online go to:  
[www.willoughby.nsw.gov.au/WDCP.html#wdcp](http://www.willoughby.nsw.gov.au/WDCP.html#wdcp)

### ***Blue Mountains Council – incentives for social housing providers***

In New South Wales, the Blue Mountains Council on Sydney's western fringe has identified special provisions to facilitate the development of accessible housing (that which is intended to be used permanently for older people or people with a disability) by social housing providers. To download the Accessible Housing Strategy, go to:  
[www.bmcc.nsw.gov.au/citydevelopment/localenvironmentalplans/backgroundand supportingstudies/](http://www.bmcc.nsw.gov.au/citydevelopment/localenvironmentalplans/backgroundand supportingstudies/)

### ***United States – planning incentives for affordable housing***

Planning incentives for affordable housing are used widely in the US, although in most cases they are matched with mandatory contributions. Most authorities with affordable housing programs in place offer a combination of incentives which may include density bonuses, variations on subdivision sizes, building design, parking or landscaping requirements, permit and infrastructure fee waivers, and expedited processing of applications.

### **Toronto – density incentive for sustainability and affordable housing**

Toronto, in Canada, sought to achieve greater urban consolidation by increasing medium density development. By increasing permissible densities, the local authority was aware that it was also conferring additional value for individual owners. At the same time, new developments might well result in a loss of existing low-cost housing. The authority enabled developers to realise the additional density, but at the same time required a contribution towards affordable housing.\*

## **What are planning incentives likely to achieve?**

Incentives that make lower-cost market housing (like student accommodation, boarding houses, shop-top housing or seniors housing) more profitable by reducing development standards or expediting planning approvals should result in increased supply within the private market—provided that there are appropriate opportunities for development and suitable levels of demand.

Incentives that reduce costs for affordable housing developers (social housing providers, not-for-profit affordable housing developers and private sector developers that will provide subsidised housing to defined needs groups) should increase the proportion of regulated affordable housing supply within a particular area and strengthen the overall capacity of the affordable housing developers at local and regional levels.

Incentives that seek to share in the profit created by a specified planning bonus (like increased density) by requiring a contribution towards a local affordable housing program will result in a modest amount of dedicated affordable housing within the area—when the bonus represents significant value and development activity in the area is buoyant.

## **Advantages**

- Planning incentives are voluntary and therefore may attract more developer support than other mechanisms. US experience suggests that voluntary incentives to encourage affordable housing contributions are effective where there is strong political or community opposition to a mandatory requirement.
- Planning incentives can make affordable housing more viable for the non-profit sector or more profitable for the private sector, and so may counterbalance trends towards developing larger or luxurious forms of housing. Incentives for simpler housing forms provide an opportunity to increase the overall supply of lower-cost housing in the market.
- Incentives do not require an up-front subsidy or investment, maximising existing government investment in affordable housing development, or even creating additional revenue (when incentives result in a specific contribution towards a local affordable housing fund).

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\* Gurran, N., Milligan, V., Baker, D. and Bugg, L.B. (forthcoming a), *International Practice in Planning for Affordable Housing: Lessons for Australia*, Australian Housing and Urban Research Institute, Melbourne at [www.ahuri.edu.au/publications/p60322/](http://www.ahuri.edu.au/publications/p60322/)

- By contributing to the strategic planning objectives for an area, incentive structure can promote multiple objectives simultaneously. For instance, if increased density of an existing urban area is an important planning objective, new development opportunities can be combined with affordable housing requirements if the incentive is sufficiently attractive to result in ‘take-up’.

### Limitations

- The voluntary nature of planning incentives means that there is no way to ensure they are actually taken up. US experience shows that voluntary incentives have little overall impact in comparison to mandatory approaches. When combined with mandatory requirements, planning incentives can make affordable housing development far more attractive or viable.
- Incentives that relate to changed or graduated development standards are sometimes perceived as undermining environmental qualities or standards. The approach is considered by some as artificially constraining development by discouraging owners to achieve the ‘highest and best’ use of their land unless they take up the affordable housing incentive. Incentives that reduce existing planning standards should only be used subject to strict assessment criteria that ensure an outcome consistent with overall planning goals.
- Affordable housing built to reduced standards may contribute a one-off benefit or abnormal profit to developers or result in additional costs to long-term owners, tenants and the community in the property’s future-use value unless measures are undertaken to pass the cost reductions on to the target group (low and moderate income earners and if careful consideration is not given to the impact of the reduced standard on amenity and lifecycle costs.
- It is difficult to use incentives effectively in performance-based planning systems where there are no clear rules or standards for compliance. In these cases a mandatory requirement may be more appropriate. Expedited assessments or reduced application fees could still apply to developments by affordable housing developers or meeting affordable housing criteria defined by the local authority.
- It can be time-consuming, expensive and legally complex to administer an incentive system that is designed to collect actual contributions to an affordable housing program, particularly if development activity is slow or the contribution relatively small.

### Where will this measure have the greatest impact?

Planning incentives’ scale of impact depends on the type of incentive used and the conditions of the market in which it is implemented.

Incentives that make lower-cost market housing more profitable by reducing development standards or expediting planning approvals are likely to have the greatest impact in high-value market contexts where low-cost housing development opportunities would be limited or have marginal viability.

The likely impact of this measure in a particular area depends on the controls that currently exist, the opportunities for development, and levels of demand. The

approach may be most effective if designed in consultation with local developers whose product targets the lower and moderate level of the market, or specific niches like student accommodation, boarding houses, or seniors housing. Inner and middle-ring housing markets—where land values are higher and where there is a greater imperative to achieve higher density, parking, or open space savings—are likely to be the most suitable market context for this measure.

Incentives that reduce costs for affordable housing developers are likely to be effective in all market scenarios and geographic areas. Like many of the measures discussed, the scale of impact will be greatest where intervention relieves existing planning processes that have been overly complex, slow or involve expensive compliance costs.

Incentives that seek to share in the profit created by a specified planning bonus (like increased density) by requiring a contribution towards a local affordable housing program depend on buoyant market activity and high land values. Clear processes for calculating the bonus and contribution requirement and for administering the affordable housing donation are needed for effective implementation.

**Table 11: Potential effectiveness of affordable housing planning incentives**

Market mechanism	Inner city	Middle ring	Outer ring/ growth area	Regional (high growth)	Regional (low growth)
Graduated standards	✓✓✓ ... supports affordable housing development in high cost market	✓✓✓ ... affordable housing development by the private/non-profit sector more viable	✓✓✓ ... affordable housing development by the private/non-profit sector more viable	✓✓✓ ... affordable housing development by the private/non-profit sector more viable	✓ ... if graduated standards significantly reduce land or building costs
Planning bonuses	✓✓✓ ... bonuses, particularly density bonuses are attractive levers in high-cost market	✓✓ ... depending on scale of development and value of bonus	✓✓ ... supports lower-cost housing for private rental or home ownership	✓✓ ... supports lower-cost housing for private rental or home ownership	✓ ... if bonus creates significant value (usually difficult in markets where land costs are relatively low)
Planning process incentives	✓✓✓ ... fast-track planning gives certainty and saves money	✓✓✓ ... fast-track planning gives certainty and saves money	✓✓✓ ... fast-track planning gives certainty and saves money	✓✓✓ ... fast-track planning gives certainty and saves money	✓✓ ... encourages some affordable housing development if process fast and approval likely

Source: Derived from Gurran et al. forthcoming

- ✓✓✓ Mechanism is generally associated with high potential impact on affordability goals.
- ✓✓ Mechanism may have a positive impact on affordability goals, depending on local market characteristics.
- ✓ Mechanism may be worth further investigation, depending on local market characteristics.

## **PRINCIPLES OF LEADING PRACTICE**

### **Planning incentives**

Leading practice in the use of planning incentives for affordable housing is consistent with the following principles:

- Use incentives that support other important local or regional planning goals, such as greater urban containment, or reduced reliance on the private car.
- Where incentives vary prevailing standards or controls, ensure they are supported by strong urban design criteria.
- Situate incentives within a strong and transparent policy framework.
- Package a combination of incentives for affordable housing, to make them more valuable for a particular development.

### **Pitfalls to avoid**

- Avoid the use of planning incentives that undermine other important local or regional planning goals.
- Avoid artificially establishing or maintaining controls at low levels to provide an opportunity for bonuses.
- Avoid using a density bonus mechanism in areas where new developments are not maximising existing density opportunities.

## **How to use these measures**

- a. Identify overall goals you wish to encourage in an area, such as greater density in certain locations, more mixed-use developments or redevelopment of under-used sites.
- b. Identify potential levers to encourage this type of development. These could be graduated standards, planning bonuses, or planning process incentives, or some combination of these.
- c. If using the incentive to obtain an affordable housing contribution, calculate the value of the incentive for the developer, using a standard formula for development costs and estimation of increased market value.
- d. Require a defined proportion of this enhanced value as a contribution for affordable housing to be made as a condition of planning approval.
- e. Unlike mandatory requirements for affordable housing contributions, which should be specified up front, it may be preferable to negotiate the value of incentives on a case by case basis. Otherwise, the incentive itself might increase the value of the land in line with the increased development opportunity.

## 5. VOLUNTARY NEGOTIATED AGREEMENTS

Voluntary negotiated agreements for affordable housing contributions are often made between a developer and planning authority (local council or state government). While not required for development approval, a proponent may seek to negotiate an affordable housing outcome for a concession or subsidy of some type.

Voluntary negotiated agreements work like incentives but typically apply on a site by site basis or in relation to a specific development. Often planning controls are being established in tandem with the actual proposal for the site (sometimes described as a 'master planning' process), so the fixed planning requirements usually needed for an incentive framework might not have been established.

Large developments of this nature typically involve much negotiation between the proponent and the planning authority so it is within this context that affordable housing contributions might also be sought. The contributions recognise the significant increase in value associated with planning approval for the development ('betterment' or 'windfall gain'). While not directly calculated according to prescribed formula, in this context the affordable housing contribution gives something back to the community in return for the significant profit associated with their favourable planning decision.

Examples of incentives used in voluntary negotiated arrangements:

- reduction of other infrastructure payment requirements to offset amount provided for affordable housing
- concession in other development application fees or related charges
- pre-purchase commitments (for example, to purchase housing that will be managed by a social housing provider)
- assistance with financing costs
- promotional or marketing assistance.

### **LEADING PRACTICE EXAMPLES**

#### ***Ropes Crossing, NSW: negotiated agreement involving public land***

In 2001 the New South Wales Government approved a development for homes and businesses and a regional park on the former Australian Defence Industries (ADI) site in the outer western Sydney suburb of St Mary's. Approval was contingent on three per cent of residential lots on the site being provided for affordable housing. The agreement stipulated that the NSW Land & Housing Corporation (the NSW Department of Housing) was to act as nominee for the transfer of affordable housing lots, while the Department's Centre for Affordable Housing, acting as agent for the Minister for Planning, would develop an affordable housing strategy for delivery and management of housing on the site. As the agreement is for the delivery of lots, not dwellings, finance still needs to be found for construction. An option is for the negotiation of cash-in-lieu payments or some lots to be sold with proceeds used for affordable housing on site.

### ***Byron Shire, NSW: planning agreement with private developer***

Byron Shire Council, on the far north coast, has attempted to use a planning agreement to support and secure affordable housing within a boarding house development and associated other developments comprising a combined affordable housing target of up to 132 essential workers. Although the project has not yet been finalised, the details of the agreement provide an example for other projects in non metropolitan areas subject to both rapid population growth and house price escalation. Council's contribution to the proposal includes a 4.2 per cent density concession focused on the site of the boarding house; a \$6,000 grant in lieu of 50 per cent of the development contribution fees (the portion of the development application relating to the boarding house), as well as variations to parking, soft engineering, and layout requirements (offered subject to final development assessment process and community consultation).

### ***Randwick Council, NSW: Voluntary Planning Agreement negotiation***

Randwick City Council, in eastern Sydney, has established a strong policy framework for the use of planning agreements for affordable housing. A clause in the Randwick Local Environmental Plan supports the use of planning agreements to secure affordable housing contributions on large redevelopment sites requiring master plans. The nominal contribution is for one per cent of the total dwellings proposed to be transferred to Council.

### ***Canada Bay, NSW: planning agreements policy***

The City of Canada Bay in inner Sydney enacted a Planning Agreements Policy in December 2006. The Policy specifies that the Council may consider negotiating a planning agreement with a developer to achieve the provision of affordable housing. It establishes a number of fundamental principles about the use of planning agreements in Canada Bay, including, that 'planning decisions may not be bought or sold through planning agreements', and that 'development that is unacceptable on planning grounds (including, without limitation, environmental grounds) will not be permitted because of planning benefits offered by developers that do not make the development acceptable in planning terms'.\*

## **What is this measure likely to achieve?**

In theory, voluntary negotiated agreements should maximise the affordable housing contribution in a particular development, while retaining profitability for the developer. In practice, between one and 15 per cent of completed dwellings or project value seem to be the norm in Australia, depending on the specific nature of the development and whether it involves government land.

Negotiated agreements for affordable housing can be a way of achieving access to land and or housing for the affordable housing sector, before the cost of securing this land inflates. Affordable housing developers seldom have the scale needed to compete effectively for attractive housing sites on the private market. This is especially so during times of rapid market escalation, or following a significant

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\* City of Canada Bay Council Planning Agreements Policy (2006), p. 5.

process of urban redevelopment or renewal. Negotiated agreements are opportunities to overcome this barrier to affordable housing development.

### **Advantages**

- Negotiated agreements are voluntary, so it is easier to obtain developer support to the overall approach than might be the case if they were introduced as a mandatory requirement.
- They are flexible, and their terms can be adjusted to the particular site, development, and opportunities for affordable housing.
- The negotiation process offers a way of accommodating details that are difficult to be anticipated in advance, like market changes.
- There is no need for legislative change to use this mechanism, and their application does not depend on the demonstration of strict legal tests to demonstrate validity.
- As this type of planning for mixed tenure development generally relies on a level of public subsidy (either land or capital funding), it can operate counter-cyclically, during periods of market downturn, with the affordable housing component providing security for the overall development.

### **Disadvantages**

- Negotiated agreements are voluntary, so cannot be enforced or required.
- Negotiations may be time-consuming and can delay the planning approval process. Delays in residential approvals may indirectly exacerbate housing affordability problems and have direct costs for some specific developments.
- As the contribution is not known up front at the time the land is purchased, there is a lack of certainty for the developer who is not able to adjust the land acquisition cost to reflect the planning burden. This lack of certainty is likely to reduce the overall amount that can be secured through a contribution.
- The negotiation process is complex and requires skilled planning authority staff, familiar both with development economics and affordable housing requirements.
- Affordable housing is likely to be one of many competing objectives for development contributions through the negotiation process. Without a fixed contribution requirement, affordable housing might be ‘traded off’ in favour of another priority, for instance, a recreational facility.

### **Where will this measure have the greatest impact?**

This approach is useful when major changes to planning controls are requested for residential developments in new or established areas. The scale of impact of the negotiated approach depends on the size of the project and the amount of affordable housing or financial contribution available in each specific case.

Modeling in the US and the UK shows that the characteristics of the specific market can dramatically affect the affordable housing contribution sustainable by an

individual development. Even within a metropolitan region this amount might range from a zero contribution to a 50 per cent or higher contribution where planning approval is valuable and land costs are high. Viable contribution amounts might also change over time with market fluctuations.

Another factor that might influence the scale of impact of this mechanism is the way in which the affordable housing component is provided. One approach that can be effective in lower-value markets is to require that a proportion of the new housing developed (perhaps 15 per cent or higher) be available to affordable housing providers at a sub-market price. This reduces risk for housing developers while still securing affordable housing in new development areas.

**Table 12: Potential impact of negotiated agreements**

Market mechanism	Inner city	Middle ring	Outer ring/ growth area	Regional (high growth)	Regional (low growth)
Negotiated agreement for affordable housing	✓✓✓ ...where rezoning/ concession valuable	✓✓✓ ... adjusted to local market conditions and potential of site to maximise affordable housing contribution	✓✓✓ ... adjusted to local market conditions and potential of site to maximise affordable housing contribution	✓✓✓ ...where rezoning/ concession valuable	✓✓ ...where rezoning variation is valuable, offers leverage for negotiated affordable housing

Source: Derived from Gurran et al. forthcoming

✓✓✓	Mechanism is generally associated with high potential impact on affordability goals.
✓✓	Mechanism may have a positive impact on affordability goals, depending on local market characteristics.
✓	Mechanism may be worth further investigation, depending on local market characteristics.

## **PRINCIPLES OF LEADING PRACTICE**

### ***Voluntary negotiated agreements***

Leading practice in using voluntary negotiated agreements for affordable housing includes the following principles:

- Voluntary negotiated agreements for affordable housing are an important mechanism to consider when major changes to planning controls are requested for residential developments in new or established areas.
- A clear policy framework establishing the circumstances in which negotiated agreements for affordable housing will be sought provides certainty and transparency.
- A clear approach for establishing the likely affordable housing contributions to be sought assists with certainty and transparency and reduces the amount of time needed for negotiation.

- Planning agreements involving contributions, including contributions for affordable housing, should be publicly available for inspection as part of the normal development exhibition process.
- *Pro forma* agreements and contributions methods can speed the process and minimise transaction costs for all parties.
- Establish protocols for consultation and negotiation between planning authority staff, private developers, and the organisation responsible for delivering or managing the affordable housing to be generated through the agreement(s).

#### ***Pitfalls to avoid***

- Avoid lengthy and time-consuming negotiation processes which add to the overall cost of the project.
- Avoid the implication that project approval depends on the affordable housing (or other) contribution—all planning approvals must be made on the basis of overall merits in relation to local, regional and state planning objectives and requirements.

### How to use this measure

- a. Identify potential development/redevelopment sites.
- b. Calculate potential value of increased development potential, according to a standard method that is available for public scrutiny.
- c. Introduce a policy indicating the approach for seeking planning agreements involving affordable housing as a basis for negotiation.

## 6. MANDATORY INCLUSIONARY AFFORDABLE HOUSING POLICIES

Mandatory inclusionary housing policies require developers to include or contribute to affordable housing as a condition of development approval. Policies may be site-specific, area-based or more broadly applied across a jurisdiction or local area. Mandatory contributions may be negotiated or determined as a fixed rate or threshold.

### Threshold approach

In this approach, a threshold is set as a trigger. All new development above the threshold will be required to provide affordable housing. The amount of affordable housing to be provided is often determined using a percentage or proportion of the total number of dwelling units. The proportion of affordable housing to be provided by developments above the threshold is based on a housing needs assessment or a legislated target for the provision of affordable housing.

Examples of thresholds include those:

- for developments over a certain size (for example, 10 units or 1 hectare) to include a percentage as affordable housing
- for developments over a certain size to offer a percentage of housing for purchase by affordable housing providers at a fixed price. This would need to be sold to not for profit housing providers whose constitutions ensure they provide affordable housing in perpetuity or with conditions attached to ensure that the housing remained affordable for the long term and to discourage opportunistic involvement in affordable housing.

## Negotiated arrangements

In this approach, the development assessment process includes a negotiated arrangement, which secures an affordable housing outcome. Commonly this agreement is between the developer and council or state government.

Examples of incentives used in negotiated arrangements for the provision of affordable housing:

- reservation of infrastructure capacity for affordable housing
- concession in fees or charges
- pre-purchase commitments (such as for social housing)
- assistance with financing costs
- promotional or marketing assistance.

Mandatory approaches may also have an ‘in lieu’ contribution system that provides an option for the provision of or contribution to affordable housing outside of the specific development area.

Examples of ‘in lieu’ contribution systems are:

- offsite contribution—provision of the mandated affordable housing requirement off-site
- payment in lieu—financial contribution instead of the mandated affordable housing requirement on-site.

Use of mandatory inclusionary housing policies in Australia is limited. Inclusionary schemes operate in the urban renewal areas of Green Square and Pyrmont, Ultimo, in central Sydney, and in Willoughby, in Sydney’s north. Although some local government areas have attempted to use the ‘impact fee’ approach in the past by requiring developers to contribute to affordable housing as part of their broader impact fee or infrastructure contribution payments, challenges to the legal validity of these approaches mean that none of these schemes persist today.

### **LEADING PRACTICE EXAMPLES**

#### ***City West, NSW: inclusionary zoning (threshold approach)***

The City West region in inner Sydney includes many former industrial and port areas now undergoing a process of intense urban renewal. In mid-1992 a City West Affordable Housing Committee was established to investigate how affordable housing could be secured in the precincts of Pyrmont/Ultimo. Together with the Commonwealth’s Building

Better Cities (BBC) Program in 1991, which promoted more affordable housing, it resulted in the City West Affordable Housing Program.

Development contributions for affordable housing are mandated under the main planning instrument for the area (Sydney Regional Environmental Plan 26 (SREP 26)), which requires a contribution of 0.8 per cent of residential development in the area and 1.1 per cent of commercial development. Contributions can be provided either on-site as part of a larger development or, as has occurred to date, as cash-in-lieu, then pooled with other contributions to provide for purpose-built affordable housing elsewhere in the precinct. The housing is developed and managed by the dedicated not-for-profit housing company City West Housing Pty Ltd (CWH). See: [www.citywesthousing.com.au/](http://www.citywesthousing.com.au/)

### ***Green Square, Sydney: inclusionary zoning (threshold approach)***

Inclusionary zoning provisions were introduced by the former South Sydney Council for its 'Green Square' urban renewal project in inner Sydney. The provisions were initially signaled through a development control plan (which had the status of guiding policy) and later approved by the then Minister for Planning and included within the main statutory instrument for the area (the South Sydney Local Environmental Plan 1998). To enable compulsory affordable housing contributions, the *Environmental Planning and Assessment Act 1979* was twice amended to make clear that affordable housing was a legitimate objective under the Act, and that contributions for affordable housing could be made under certain prescribed circumstances. SEPP 70: Affordable Housing (Revised Schemes) was then introduced to set out the parameters within which contributions for affordable housing may be compulsory in New South Wales. This SEPP validated existing affordable housing provisions contained in the City West, Green Square and Willoughby planning instruments.

In the case of Green Square, current provisions now require that three per cent of floor area intended exclusively for residential purposes, and one per cent of floor area intended for other than residential purposes (or a cash equivalent), be dedicated for affordable housing within the Green Square area. Affordable housing development in Green Square is mainly dependent on funding received through the inclusionary planning instrument, but a grant of one million dollars from the State Government enabled City West Housing Company to acquire sites before land values increased prohibitively.

### ***Willoughby Council, NSW: mandatory negotiated agreements***

Willoughby Council in Sydney's inner north has a mandatory scheme to collect developer contributions for affordable housing when a residential rezoning is approved. The scheme is enforced through the main planning instrument (Willoughby Local Environmental Plan 1995), which requires that four per cent of total floor space of a development on identified sites which are rezoned for residential purposes be dedicated to affordable housing.

Contributions can be provided on site or as a cash equivalent. The policy provides that affordable housing units constructed must be of a similar standard to other dwellings in the local government area, and the title of these units is retained by Council and the dwellings are managed by a community housing organisation. The scheme is supported by the Willoughby Local Housing Program (in the Willoughby Development Control Plan).

### ***United Kingdom: mandatory contributions (negotiated)***

In the UK, planning authorities can require a developer to contribute to affordable housing as a consideration and condition of planning approval. The actual level of contribution is negotiated on a site by site basis, but this negotiation occurs within a strong policy framework extending from national policy requirements for affordable housing in plan making and development assessment, through to the identification of regional housing and affordability targets, and local housing strategies with indicative site based targets for affordable housing contributions. The approach combines a mandatory requirement with a negotiated final outcome. For more information see:

[www.parliament.uk/commons/lib/research/rp2006/rp06-041.pdf](http://www.parliament.uk/commons/lib/research/rp2006/rp06-041.pdf)

### ***United States: inclusionary zoning***

In the US, mandatory inclusionary policies are achieved through two basic approaches:

- 'inclusionary zoning' approaches, where a proportion of all development above a specified threshold and within a specified zone must contribute to affordable housing
- 'impact fee' requirements, which require an affordable housing contribution to offset the impact of the development on housing needs within the local area. A connection or 'nexus' between the development and the affordable housing impact must be demonstrated to use this approach.

'Inclusionary zoning' approaches are used widely in the US to achieve social mix in the context of new housing development or redevelopment. Requirements are specified in the plan as a fixed percentage of housing units or development value, with ten per cent and higher the norm. Requirements typically apply to new developments, however might be extended to conversions and rehabilitations in areas where there is limited opportunity for new development. Requirements are often restricted to a certain threshold size (like ten units), but increasingly in inner city areas this threshold is reduced or removed as the smaller size of infill sites limit the scale of new developments. Requirements may apply to all developments within a designated zone, or be limited to residential development only. An arbitrary numerical threshold can be problematic as it might encourage developers to undertake odd below threshold development forms to avoid the contribution requirement. This pitfall is avoided if the contribution can be offset by incentives that apply only to developments making the mandatory contribution.

To achieve the social mix objective, preference is for the contribution to be provided on site with a dedication of housing units that are consistent in appearance with the overall development. This approach both increases the supply of affordable housing units and integrates them with other development. However, off-site contributions or payments in lieu may be acceptable for:

- small developments where the contribution would not amount to a complete unit
- developments where running overheads and maintenance costs are likely to be high
- development within environmentally sensitive areas where additional housing stock is not consistent with environmental protection goals.

In most schemes, incentives are available to offset the financial burden of the contribution. Combinations of incentives are offered to maximise value. They may include density bonuses, variations on subdivision, building design, parking, or landscaping requirements, permit and service fee waivers, and expedited approvals.

### ***Ireland: mandatory contribution***

In Ireland, local authorities require 20 per cent of residential land to be used for social and affordable housing. Developers must 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). Alternatively, they may make a cash contribution, or provide dwellings, land or housing sites in alternative locations. The focus of the mechanism is on the delivery of mixed tenure residential developments, as a way of reducing socio-spatial segregation, and of securing sites for new social and affordable housing providers who may be otherwise unable to compete for land in the open market. For more information see:

[www.cih.org/northernireland/policy/planning-and-housing.pdf](http://www.cih.org/northernireland/policy/planning-and-housing.pdf)

### ***Banff, Canada: mandatory contribution***

A mandatory inclusionary housing scheme was established in the alpine community of Banff National Park, Canada, in 1990. Although development within the national park is strictly rationed for environmental reasons, the local planning authority wanted to ensure opportunities for affordable employee housing remain. Under the Banff local plan, commercial or tourism developers must provide accommodation including one bedroom for every development creating two additional jobs, or contribute \$15,000 as a fee in lieu.

## **What is this measure likely to achieve?**

Once the mandatory framework is established, over time and through market changes, the local or regional affordable housing program will grow. Mandatory approaches provide good protection against future market inflation, because as prices and market activities escalate, the proportion of development reserved for affordable housing remains constant, with new affordable housing achieved during an escalating market when access to housing would be particularly difficult for low income earners and affordable housing providers.

The scale of impact of this measure may be more significant over time than during the initial years of its implementation. The proportion of development required for the contribution cannot be so excessive as to deter development, indirectly exacerbating house prices by aggravating the supply shortage. If mandatory requirements are fixed rather than negotiated it may be necessary to set the percentage requirement at a level lower than that able to be absorbed by some sites. Yet if the percentage requirement is low—for instance, one percent—the market impact of the requirement will be minimal but the development will need to include a yield of 100 units to achieve a single unit for the affordable housing program. On the other hand, if cash payments are the most common form of contribution, the problem of accessing land for affordable housing development remains difficult in a ‘bullish’ market.

**Table 13: Potential impact of mandatory requirements**

Market mechanism	Inner city	Middle ring	Outer ring/ designated growth area	Regional (high growth)	Regional (low growth)
Mandatory contribution, (fixed amount, by threshold)	✓✓✓ ...as contribution valuable in high-value market	✓✓✓ ...particularly if contribution relates to lower-cost home ownership/purchase by social housing provider, as lower land value makes cost recovery more viable	✓✓✓ ... if mandatory contributions are known in advance, can be accommodated in land price & offset by value increase with rezoning. Can use cost home purchase by social housing provider, as lower land value makes cost recovery viable	✓✓ ... fixed mandatory contributions can be accommodated in land price & offset by value increase with rezoning, but needs widespread application or developers will seek opportunities not constrained	✓ ... only in scenarios where development able to sustain significant contribution amount, may seem a deterrent to housing development in low growth, lower value contexts
Mandatory contribution (negotiated amount)	✓✓✓ ... as planning leverage and contribution valuable in high value market	✓✓ ... negotiation more resource intensive but can maximize contribution in relation to opportunities of site	✓✓ ... negotiation more resource intensive but can maximise contribution in relation to opportunities of site	✓✓ ... where there are limited alternative development opportunities, due to environmental or other constraints	✓ ... only if site able to sustain a contribution, may seem a deterrent to housing development
Onsite contribution	✓✓✓ ... as onsite contribution valuable in high value market	✓✓ ... way to achieve access to land for affordable housing and tenure mix	✓✓ ... way to achieve access to land for affordable housing and tenure mix	✓✓✓ ... way to achieve access to land for affordable housing and tenure mix especially for larger, masterplanned sites or in remote locations	✓ ... only if site able to sustain a contribution, and location is appropriate for affordable housing
Offsite/cash contribution in lieu	✓✓ ... although cash in lieu may be insufficient to enable access to housing opportunity in similar location	✓✓ ... means of securing resources for local affordable housing fund. Useful alternative if housing not suitable for affordable sector	✓✓ ... means of securing resources for local affordable housing fund. Useful alternative if housing not suitable for affordable sector	✓✓✓ ... in relation to very high value sites where development capacity is limited, and there are well located alternative sites elsewhere for affordable housing	✓ ... if site able to sustain a contribution for affordable housing

Source: *Derived from Gurran et al. forthcoming*



- ✓✓✓ Mechanism is generally associated with high potential impact on affordability goals.
- ✓✓ Mechanism may have a positive impact on affordability goals, depending on local market characteristics.
- ✓ Mechanism may be worth further investigation, depending on local market characteristics.

## Advantages

Mandatory approaches are fundamental in establishing or renewing high value areas to ensure for social mix and maintain accommodation for workers and seniors, even as property values increase.

- Mandatory approaches offer certainty, and are able to be calculated in advance when land is purchased. This means that the affordable housing contribution results in lower land prices, rather than higher housing costs.
- Mandatory requirements can avoid the need for extensive negotiation processes. Even when the contribution is negotiated, the mandatory framework can provide a stronger and clearer basis for negotiation.
- Mandatory approaches are transparent and fair because they apply to all specified development within a site, area or zone.
- International evidence shows that mandatory requirements become accepted by developers following their implementation.\*
- Mandatory approaches are most effective in a high-value market, where it is hardest to access affordable housing opportunities on the open market. In other words, mandatory requirements are most effective in circumstances where there is a real shortage of affordable housing opportunities and it would otherwise be most difficult to secure or develop new affordable housing supply.
- Mandatory approaches can effectively support other government investment or incentives for affordable housing—making capital funds for housing assistance go further or combining requirements with financial incentives for affordable housing development in the private sector.

## Disadvantages

- State and territorial planning legislation is likely to need amendment to support and enable the use of these approaches at local or regional level.
- It can be difficult to determine the correct contribution amount, particularly when this is to be set as a fixed percentage.
- Mandatory inclusionary policies are likely to require significant policy and political effort in the short term for limited overall gain in terms of new affordable housing creation.
- Mandatory approaches are most valuable in high-cost housing markets and less valuable in lower-cost markets.
- The approach depends on a level of development activity (because contributions depend on development taking place) but the contribution requirement could be seen to deter some development activity, having the perverse effect of no affordable housing contribution and a further contraction in supply.
- There is a perception that the requirement could be passed onto the individual home buyer, although in reality the impact of the requirement on overall prices depends on the characteristics of the market.

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\* Gurran, N., Milligan, V., Baker, D. and Bugg, L.B. (forthcoming a) *International Practice in Planning for Affordable Housing: Lessons for Australia*, Australian Housing and Urban Research Institute, Melbourne.

## Where will this measure have the greatest impact?

The scale of impact of mandatory approaches will be high, especially over time and in relatively buoyant market circumstances. The proportion of affordable housing secured may be greater if options requiring smaller absolute contributions from developers are pursued, such as fixed term rental arrangements. At the lowest end of the market where the margin between housing production costs and the market price is smallest, mandatory contributions might impact on house prices or deter development in this sector. Unless the approach is introduced with significant lead time to ensure the planning burden is absorbed by lower land values, it may be desirable to use other planning mechanisms to generate lower-cost market housing. An alternative would be to mandate affordable housing but as an option that can be taken up by affordable housing providers by way of sub-market sales, as in the model now being used in Ireland.

## How to use this measure

- a. Identify sites for potential increased residential density.
- b. Determine likely value of increased development opportunity and likely development viability of proposed affordable housing contribution.
- c. Introduce requirement at time of rezoning/change to planning scheme but foreshadow well in advance.
- d. In major, high value areas, a set amount provided on site will yield the highest value for affordable housing. In middle and outer areas, housing at set price points for affordable home purchase, may represent the best outcome.

### **PRINCIPLES OF LEADING PRACTICE**

#### ***Mandatory inclusionary requirements***

Leading practice in implementing mandatory inclusionary requirements for affordable housing observes the following principles:

- Mandatory inclusionary requirements should be supported by a clear legislative framework, including state planning legislation and policy validation, local planning scheme objectives and provisions.
- Mandatory inclusionary housing requirements must be clear, with the ability to estimate likely contribution for different development scenarios at point of land acquisition.
- Mandatory inclusionary housing requirements should be applied as consistently as possible across local or regional areas.
- Mandatory contributions should be offset by planning incentives, guaranteed sales to social housing providers, or other forms of assistance. When available offsets are significant, levels of contribution should also increase.

***Pitfalls to avoid***

- Requirements should not be set at a contribution level that will jeopardise development viability or discourage activity in the medium to long term.
- Avoid the sudden introduction of a mandatory requirement. Rather, a long lead time to the introduction of mandatory requirements is preferable, with voluntary negotiated frameworks used in the interim to assist land market adjustment.

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## 4: DELIVERING AFFORDABLE HOUSING

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***This section:***

- outlines current delivery systems for affordable housing in Australia, including options for developing and managing affordable housing, and opportunities for financial support
- sets out best practice in selecting and supporting a delivery framework for local or regional affordable housing programs

There are two key opportunities to plan more effectively for affordable housing in Australia. The first, which seeks to enhance the overall operation of the planning system, should result in more affordable housing being delivered through the private market. The second approach, which creates opportunities for dedicated new supply meeting the needs of specified target groups, requires an effective delivery system to develop and or manage this housing.

To date, dedicated affordable housing in Australia has been managed by a small non-profit ‘community’ housing sector with large numbers of geographically dispersed providers. However this picture is beginning to change.

Recognising the not-for-profit sector as a critical vehicle for growing affordable housing, most jurisdictions have moved to develop larger agencies or facilitate group structures. This has been accompanied by efforts to develop the capacity and maturity of the sector so that it is capable of:

- partnering effectively with the private sector to leverage government investment;
- managing a significant asset base;
- operating at a greater distance from government; and
- responding strategically to new opportunities to generate growth.

The Ministerial commitment to develop a National Sector Development Plan is one such example of support for this agenda. This work has highlighted the importance of a transparent policy and regulatory environment for the sector and of support for developing the sector capacity needed for a role expanded beyond that of social housing manager.

Larger agencies emerging in some jurisdictions increasingly bring the experience and skills necessary to collaborate with partner organisations, including local councils, to develop and deliver affordable housing projects and to maximise outcomes generated through planning initiatives.

Local councils establishing an affordable housing program using financial or in kind contributions secured through the planning process, will need to consider which providers operating in their jurisdiction are best placed to develop or manage this housing.

Overall, this is a rapidly changing sector in Australia and the following information is intended as a guide to current arrangements. Users should approach the relevant section of their state or territorial housing authority for information on the latest arrangements.

## DEVELOPING AND MANAGING AFFORDABLE HOUSING

Affordable housing development arrangements and opportunities differ in each of the Australian jurisdictions. Terminology used to distinguish types of community housing organisations also varies across the states and territories. Table 14 provides an overview of existing affordable or community housing organisations currently able to engage in development activities. Some of these agencies are planning to operate nationally and others are forming inter- and intra-jurisdictional networks and alliances to build their capacity and scale. For a full list of community housing providers that may be able to provide tenancy or property management services, contact the relevant state agency listed in Section 5.

**Table 14: Affordable or Community Housing providers with capacity for housing development**

State/ territory	Affordable/ Community Housing developer	Geographic coverage	Web site
ACT	Community Housing Canberra	ACT	<a href="http://www.communityhousingcanberra.com.au">www.communityhousingcanberra.com.au</a>
NT	Under development	—	
NSW	Housing Associations  City West Housing Company	Across NSW  Ultimo/ Pyrmont, Green Square	<a href="http://www.communityhousing.org.au/">www.communityhousing.org.au/</a> <a href="http://www.communityhousing.org.au/nswfha/index.htm">www.communityhousing.org.au/nswfha/index.htm</a> <a href="http://www.citywesthousing.com.au/">www.citywesthousing.com.au/</a>
Queensland	Brisbane Housing Company  Gold Coast Housing Company	Brisbane  Gold Coast	<a href="http://www.brisbanehousingcompany.com.au/index.html">www.brisbanehousingcompany.com.au/index.html</a> <a href="http://www.gchousingco.com.au/">www.gchousingco.com.au/</a>
South Australia			Refer to Community Housing Office in Housing SA as a contact for relevant providers.
Tasmania	STEPS Community Housing Solutions and  Tasmania Affordable Housing Ltd	Statewide	<a href="http://www.stepstas.com.au/housing.php">www.stepstas.com.au/housing.php</a>  <a href="http://www.tasaffordablehousing.com/">www.tasaffordablehousing.com/</a>

Victoria	Common Equity Housing Ltd	Statewide	<a href="http://www.cehl.com.au/index.htm">www.cehl.com.au/index.htm</a>
	Community Housing Vic. Ltd	Statewide and interstate	<a href="http://www.chl.org.au">www.chl.org.au</a>
	Loddon Mallee	Kyneton, Bendigo, Kyabram, Swan Hill, Mildura	<a href="http://www.lmhs.com.au/index.htm">www.lmhs.com.au/index.htm</a>
	Melbourne Affordable Housing	Inner Melbourne	<a href="http://www.melbourneaffordablehousing.com.au">www.melbourneaffordablehousing.com.au</a>
	Port Phillip Housing	Inner South Melbourne	<a href="http://www.ppha.org.au">www.ppha.org.au</a>
	Supported Housing Ltd	Victoria (disability housing)	<a href="http://www.shl.org.au">www.shl.org.au</a>
	Yarra Community Housing	Northern & Western suburbs Melbourne	<a href="http://www.ych.org.au">www.ych.org.au</a>
	Rural Housing network	Hume region Victoria	<a href="http://www.rhn.org.au">http://www.rhn.org.au</a>
Western Australia	'Lease for Life'  Foundation Housing Access Housing Association	WA-wide but focus on seniors' housing	
National	PowerHousing Australia	Business alliance of providers across jurisdictions	<a href="http://www.powerhousingaustralia.com.au">http://www.powerhousingaustralia.com.au</a>

### **LEADING PRACTICE EXAMPLE**

#### ***Managing affordable housing through community housing providers***

State Environmental Planning Policy No 70: Affordable Housing (Revised Schemes) identifies Willoughby Council as a local government able to implement mandatory requirements for developers to contribute to affordable housing.

Willoughby Council has a mandatory requirement in its LEP for specific sites that are rezoned to permit residential development, to provide four per cent of the accountable total floor space for affordable housing. Through this policy, Willoughby Council now has ten council-owned affordable housing apartments near St Leonards Station in Sydney.

The apartments must be rented to low to moderate-income households. Council has entered a management agreement with North Shore Community Housing (an A-grade registered community housing provider) to manage the housing stock on its behalf under a five-year management agreement. The management agreement specifies allowable rents that can be charged and the tenant groups that must be targeted. North Shore

Community Housing is responsible for maintaining a waiting list, allocating properties and ongoing tenancy and property management. Respective roles and responsibilities were allocated through negotiations between the parties. Willoughby City council retains ownership of the units and responsibility for body corporate fees and major maintenance costs, including structural damage or necessary improvements, while North Shore Community Housing is responsible for minor maintenance, including items such as carpeting and paint work. These and all administrative costs are met from rental income.

## Australian Capital Territory

The main affordable housing provider in the ACT is Community Housing Canberra (CHC). CHC is involved in developing and managing properties. As well, six community housing providers are involved in tenancy and property management, including properties head leased from government. All providers operate across the ACT.

The ACT government has recently announced plans to support CHC as a major not-for-profit entity able to develop and manage affordable housing. The aim is to boost affordable rental dwellings managed by the CHC by 250 dwellings over five years, and to expand the supply of affordable owner occupied dwellings provided through CHC by 500 dwellings over five years.

## Northern Territory

The sector is currently under development in the Northern Territory.

## New South Wales

New South Wales has the largest community housing sector. It accounts for about ten per cent of social housing in the state. There is also a sizeable Aboriginal community housing sector. Organisations within these sectors include housing associations, housing cooperatives, crisis accommodation providers, Aboriginal corporations and Land Councils, and a range of other welfare organisations with a housing role. Local governments also provide community housing in New South Wales, focusing particularly on special needs housing like seniors accommodation or housing for people with a disability. Larger Housing Associations registered with the Office of Community Housing and some Aboriginal organisations registered with the Aboriginal Housing Office can develop housing.

The Aboriginal Community Housing sector in New South Wales is funded and regulated through the Aboriginal Housing Office.

Housing NSW, through its Centre for Affordable Housing, provides advice on the development of affordable housing projects and helps broker new financing and delivery models. The Department's Office of Community Housing provides resources to and manages the community housing sector.

A voluntary accreditation system was introduced in 1998, and many providers have used it to improve their administration, policies and operating systems. A rigorous,

performance-based registration system was introduced in 2005, and shows that providers have been achieving the right outcomes both for tenants and for government investment.

*Planning for the Future: new directions for community housing in New South Wales 2007-2012* is a five-year strategy supporting the growth and sustainability of the community housing sector, especially in the provision of affordable housing. The strategy sets a target to double the number of homes managed by community housing providers to 30,000 over the next ten years. Through the strategy, Housing NSW will be supporting community housing providers to undertake new business activities, and to finance and develop new affordable housing projects.

Legislation regulating New South Wales' community housing sector was passed in 2007. This legislation will secure government's investment in the sector and give private financiers the confidence to invest in affordable housing delivered by community housing providers.

A range of Affordable Community Housing Initiatives were also announced in 2007, valued at \$230 million. These initiatives include:

- the establishment of a \$49.8 million Affordable Housing Innovations Fund;
- the introduction of a pilot for 35 year long term leases; and
- directing \$70 million of new supply funding under the CSHA directly through community housing providers over four years, primarily in order to take advantage of the tax concessions the community housing sector can access.

## Queensland

In Queensland, community and local government sectors provide affordable rental housing or other housing services. There are over 450 funded community and local government housing providers, including Aboriginal and Torres Strait Islander local government councils. Much of community and local government managed housing is in rural, regional and remote areas.

There are two community housing organisations with a specific charter for developing and operating 'affordable' housing—for households on very low through to moderate incomes. The Brisbane Housing Company, jointly funded by the Brisbane City Council and the Queensland Government was formed in 2003, with initial Government funding of \$50 million, and \$10 million from the Brisbane City Council, over four years. The Gold Coast Housing Company was formed in 2006, with funding assistance of \$15 million from the State Government and \$3 million from the Gold Coast City Council over three years.

## South Australia

The Affordable Housing Innovations Unit within the Department for Families and Communities is developing the affordable housing sector in South Australia. While there are currently no completed affordable housing projects in South Australia, a number are underway. For example, the Metropolitan Adelaide Community Housing Association (MACHA) is currently involved in a project to develop and

undertake subsequent property and tenancy management of an affordable housing initiative.

South Australia has a vision for community housing that has four key goals:

- strengthen the community housing sector
- develop alternative finance strategies
- define government role in risk management and systemic sector development
- work with NGO partners to strengthen business capacity and ensure business excellence and quality management in community housing

South Australia is currently examining ways in which it can enable the sector to grow and enhance its capacity to play a greater role in the provision of affordable housing.

## Tasmania

The affordable housing sector is at an early stage of development in Tasmania. The Tasmanian Affordable Housing Ltd (TAHL) is the main affordable housing provider although its direct development activities are limited. Currently the target group for housing being offered through the TAHL is low to very low-income households who would traditionally be eligible for social (public or community) housing.

STEPS Community Housing Solutions is a new association that develops and manages low-cost rental housing. It has been contracted to develop housing units to be head leased by TAHL and also funds and manages its own low-cost housing programs ([www.stepstas.com.au/housing.php](http://www.stepstas.com.au/housing.php)).

## Victoria

Housing and Community Building within the Department of Human Services (DHS) is responsible for funding social and affordable rental housing and the development of the community housing sector, and the Office of the Housing Registrar of Housing Agencies within DHS is responsible for regulating the community housing sector in Victoria.

Registration and regulation of not-for-profit, non-government agencies is a fundamental part of the state government's approach to increasing the supply of affordable rental housing for low-income Victorians.

Together, registered housing agencies comprise a new, regulated housing sector, providing growth and quality service delivery to meet social objectives. Regulation provides a framework for accountability to government and other investors, tenants and the community.

The Victorian Government's financial commitment is reflected in the 2007 State Budget allocation of \$300 million to build 1550 new dwellings over four years, primarily through housing associations. This new funding complements significant existing capital commitments and measures to facilitate innovation and growth.

In addition to this contribution, registered housing associations may leverage capital through partnerships with the private and philanthropic sectors and local government.

The Victorian system of regulation was introduced in January 2005, with a new *Part VIII* to the *Housing Act 1983*. The Registrar of Housing Agencies was established to register and regulate these agencies, with the Office of The Registrar of Housing Agencies (ORHA) created as the administrative arm.

Aboriginal Housing Victoria has been responsible for the management of community housing for Aboriginal people in Victoria since 1981. Plans to expand the role of this agency in the development and management of housing for Aboriginal Victorians have recently been announced.

Further information on the Office of the Registrar can be found at [www.housingregistrar.vic.gov.au](http://www.housingregistrar.vic.gov.au) and information about the role of Housing and Community Building at [www.hnb.dhs.vic.gov.au](http://www.hnb.dhs.vic.gov.au).

## Western Australia

In Western Australia, community housing is rental housing managed by local government or non-government (not-for-profit) organisations, with similar eligibility criteria to that of public housing. Community housing providers operate across the state.

Affordable and community housing arrangements are under review in Western Australia. In May 2007 the WA premier announced a significant funding boost to help make housing more affordable in WA — \$210 million of this funding to be allocated to community housing over a four-year period, starting from 1 July 2007. This money will be known as the State Community Housing Investment Program (SCHIP).

## FUNDING AFFORDABLE HOUSING IN AUSTRALIA

Table 15 outlines the main sources of government funding to support affordable housing projects across the Australian states and territories.

As shown in the table, there is a clear commitment to strengthening the affordable housing sector in most parts of Australia. Many of the funding initiatives directly support the establishment of partnerships to deliver affordable housing that is secured, or subsidised, by contributions through the planning system. Other funding initiatives enhance the capacity of community housing providers to finance and develop their own affordable housing. Planning strategies that facilitate non-profit providers' affordable housing projects help to maximise the leverage that these approaches might realise.

**Table 15: Sources of funding for affordable housing projects in Australia**

State/Territory	Program	Details
ACT	Affordable Housing Strategy (funding to assist Community Housing Canberra (CHC))	\$40 million equity through transfer of title of 135 properties (already managed by CHC) Assistance in accessing land to increase supply of dwellings Revolving \$50m loan at govt. borrowing rates \$3.2m capital subsidy over three years
NT	Under consideration	—
NSW*	New 'Affordable Housing Innovations Fund'  Capital funding for community housing  Community Housing Assistance Program  Long Term Leasehold Program	Approx \$50m, operated jointly by Office of Community Housing and Centre for Affordable Housing; to support providers with equity/debt funding  \$70 million to community housing providers for property development  Funding for general community housing operations.  Capital funding for general and supported community housing programs.  Subsidies to community housing organisations to head lease properties from the private rental market on long term basis.
	Partnerships in Community Housing	Supports partnerships with not-for-profit organisations able to commit funds or assets for joint housing ventures.
Queensland†	Long Term Community Housing Funding  Capital grants for affordable housing  Brisbane /Gold Coast Housing Companies	Capital funds for community and local government managed housing (including acquisition, construction, modification/ upgrading of housing).  Funds as capital grants to not-for-profit organisations able to provide a minimum cash or asset contribution of 20% of the grant value. Properties to be managed by not-for-profit organisations using rental revenue to cover tenancy and property management costs; \$20m 2006/07. Jointly funded by state government and respective local councils
South Australia	Capital funding for affordable housing development	Capital funding for overall community housing development, may include proceeds for affordable housing projects.
Tasmania	Community Housing Program	To assist in developing new community housing stock; \$6m over four years to assist in establishment of TAHL.  State Government will provide access to crown land for development of affordable housing.
Victoria	Capital funding for affordable housing development.	2007/08 Budget includes \$300m with 20-30% leverage to enable \$400m investment in affordable housing, through housing associations.
WA	Under consideration	The WA Government has embarked on a significant building program to deliver more affordable housing through the community housing sector. The government announced the investment of \$210 million in the State Community Housing Investment Program (SCHIP), \$60 million of that funding to be spent in 2008-09.  The program is expected to generate private equity contributions to the value of \$15 million in 2008-09.

\*Source: Housing NSW (2007) *NSW Planning for the Future; Community Housing —Five Year Strategy for Growth and Sustainability 2007–12*, at: <http://www.housing.nsw.gov.au/NR/rdonlyres/80D15846-772B-4F4D-9D07-44751659AFF/0/NSWDHPlanBroch.pdf>

†Source: Queensland Department of Housing (2006) *Community Housing Direction Statement*, at [www.housing.qld.gov.au/programs/pdf/ch\\_direction\\_statement.pdf](http://www.housing.qld.gov.au/programs/pdf/ch_direction_statement.pdf).

## New Commonwealth programs under development

Recent federal announcements about programs still under development suggest the possibility of considerable growth in funding through tax incentives and financial support for private sector investors.

### National Rental Affordability Scheme

A key election commitment made by the Commonwealth Government was to the implementation of a National Rental Affordability Scheme. The Scheme will provide 50,000 National Rental Incentives for new affordable rental dwellings nationally over four years, to be rented for ten years to low and moderate-income households at 20 per cent below-market rents, who will remain eligible for Commonwealth Rental Assistance. The Commonwealth has indicated that if demand remains high following the allocation of the first 50,000 Incentives, an additional 50,000 will be made available. As a guide to timing, first three calls for Expressions of Interest are anticipated to be announced in July 2008, October 2008 and March 2009.

The scheme relies on a positive response both from private investors to take up the subsidy, and on government, community housing providers or private rental managers to manage tenancies. Some investors, including banks and superannuation funds, have already expressed an interest in financing affordable housing ventures, and the scheme will need to be 'road-tested' in the first phase of the Scheme to ensure adequate returns for such investors.

As the scheme is targeted at new construction, relatively modest amounts of housing will be supplied in its first years; this supply might be expected to accelerate over the life of the program.

The Commonwealth scheme will cost \$623 million over its first four years and relies on the partnership of state governments. Institutional investors will be offered tax credits of up to \$6000 annually for up to ten years on condition that they rent the newly-built homes to households that meet an income test and charge them at 20 per cent below the market rate for the area. The rental tax incentive would be offered alongside \$2,000 a year in cash or kind from the states and territories, for up to ten years. The Commonwealth Government estimates that the scheme will attract \$2.5 billion in private spending on affordable rental housing over five years and help ease rental stress by delivering estimated rental savings of \$50 a week for a tenant paying market rent of \$250 a week.

### Housing Affordability Fund

The goal of the anticipated \$500 million Housing Affordability Fund is to address the two most significant 'supply-side' barriers to the development of new housing:

- the cost of developing new infrastructure such as water, sewerage, transport, and parklands, with local government infrastructure charges ultimately paid by the new home buyer; and

- the ‘holding costs’ associated with planning and approval delays such as interest, land taxes, council rates and staff costs, which are ultimately paid by the new home buyer.

Local governments will apply through a competitive process to receive grants to cover some of the cost of new housing infrastructure. In their proposals, local governments, in conjunction with private sector, will have to outline how their proposals will cut red tape and reform the planning processes. They will need to produce an ‘efficiency dividend’ and pass the savings on to home buyers to qualify for any federal funding.

Innovative, development-specific proposals from state governments that cut development costs will also be considered under the Housing Affordability Fund.

The Housing Affordability Fund will target areas:

- where lack of infrastructure is a barrier to the release or development of land;
- where infrastructure is needed to link homes to workplaces and amenities like shops, transport and community facilities;
- where high dwelling growth is forecast in greenfield and infill areas; and
- where there is an already-demonstrated lack of infrastructure.

While these reforms are directed toward streamlining developments under \$100,000 the major benefit of this approach will be delivered through the freeing up of planning and development assessment staff in local government.

## **PRINCIPLES OF LEADING PRACTICE**

### ***Selecting and supporting a delivery framework for programs***

The following principles are intended to guide state governments in building and supporting a strong and effective delivery framework for affordable housing programs. They also guide local governments in selecting a particular approach or provider to develop and or manage affordable housing secured through the planning process. It is important for local governments to recognise and where possible support affordable housing initiatives by community housing or dedicated affordable housing providers.

### ***Leading practice***

- Ensure affordable/community housing providers have the governance structures, expertise and financial capacity to undertake affordable housing development and to manage assets and resources secured through the planning process.
- Consult local/regional affordable housing providers when developing strategic plans for local areas and when undertaking local or regional housing needs assessments. Incorporate their views regarding strategies to facilitate dedicated affordable housing projects and regarding the Leading ways of requiring development contributions for affordable housing, if any.
- When an affordable housing contribution is likely to be secured through the planning process, engage the likely not-for-profit housing provider and Housing Authority (funder) as early as possible in the planning process and consult regarding the best

means of supplying a contribution (for example, cash, in kind, site-based or off-site, perpetual title versus fixed lease).

- Ensure that processes and planning provisions designed to secure new affordable housing stock considers the necessary funds or infrastructure to manage the delivery of the housing over the long term.

### ***Pitfalls to avoid***

- Don't design a mechanism to collect affordable housing contributions through the planning process without a delivery system in place to develop or manage the contributions that are secured.
- Don't seek to transfer affordable housing secured through the planning process to a community housing provider without first involving them in decisions regarding the location or type of housing.

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## 5: INFORMATION SOURCES

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This guide draws together recent work in Australia. Four Australian states have prepared 'Housing Kits' identifying planning approaches for affordable housing (NSW, Queensland, South Australia and Victoria). The emphasis of these kits has been on the role local government can play in providing affordable housing, particularly through the use of planning mechanisms.

### Section 1: The planning environment

In addition to the opportunities for local government, this document identifies the systemic elements of a state or territorial planning system that are necessary to support affordable housing provision at regional, local, or project scales.

Key information sources include working papers prepared for the Framework for NAAH, and research for the Australian Housing and Urban Research Institute (AHURI).\*

### Section 2: Housing needs analysis

The four local government Housing Kits identified earlier are particularly useful here.

#### **State Housing Kits for Local Government**

*Housing: Your Basic Infrastructure; A Toolkit for Local Government Housing Policies, Strategies and Actions* (1999) Municipal Association of Victoria (MAV)

*Local Government Housing Resource Kit* (2003) a publication by the Queensland Department of Housing developed in consultation with the Local Government Association of Queensland Inc, 2003

*Local Government Affordable Housing Resource Kit* (2006) Affordable Housing Innovations Unit Planning South Australia and Office for Local Government

*Local Government Housing Kit* (2007) developed by Housing NSW's Centre for Affordable Housing online at: [www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/](http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/)

See also the 2006 Census Community Profile Series for demographic information on specific areas, including age, ancestry, income, education, family type and more. The Expanded Community Profile offers extended data on key Census characteristics of persons, families and dwellings, based on place of usual residence. Available online at:

<http://www.abs.gov.au/websitedbs/d3310114.nsf/Home/census>

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\* Gurran, N., Milligan, V., Baker, D. and Bugg, L.B. (2007) 'International Practice in Planning for Affordable Housing: Lessons for Australia', AHURI Positioning Paper No. 99, see [www.ahuri.edu.au/publications/projects/p60322](http://www.ahuri.edu.au/publications/projects/p60322).

### Section 3: Choosing the right planning mechanism

The analysis and examples in Section 3 are drawn from several sources of information, some of which might provide useful additional references for planners or policy makers seeking to develop their own approaches. These include:

- working papers prepared for the framework for National Action on Affordable Housing (NAAH)
- research for the Australian Housing and Urban Research Institute (AHURI) – *International Practice in Planning for Affordable Housing: Lessons for Australia* at [www.ahuri.edu.au/publications/p60322/](http://www.ahuri.edu.au/publications/p60322/)
- housing kits for NSW, Queensland, South Australia and Victoria.

References to these and other resources are also provided in Section 6 of this kit.

### Section 4: Affordable housing delivery systems

Further information about financing and managing affordable housing is available through the various relevant state agencies. Details are given below.

#### ACT

For further information see

[www.actaffordablehousing.com.au](http://www.actaffordablehousing.com.au)

#### New South Wales

The NSW Department of Housing, through its Centre for Affordable Housing, provides advice on the development of affordable housing projects and helps broker new financing and delivery models. For further information, go to

[www.housing.nsw.gov.au/Centre+For+Affordable+Housing](http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing)

The NSW Office of Community Housing resources and manages the community housing sector. For more information about their services, see

[www.housing.nsw.gov.au/Office+Affordable+Housing](http://www.housing.nsw.gov.au/Office+Affordable+Housing)

The Aboriginal Community Housing sector in NSW is funded and regulated through the Aboriginal Housing Office, see <http://www.aho.gov.nsw.au>

#### Victoria

For more information on community housing programs in Victoria, go to the Office of Housing in the Department of Human Services at

<http://hnb.dhs.vic.gov.au/ooh/ne5ninte.nsf/Home+Page/OOH-Internet~OOH-Internet-HomePage?open>

#### Queensland

For further information about community housing in Queensland, see

[www.housing.qld.gov.au/programs/ch/index.htm](http://www.housing.qld.gov.au/programs/ch/index.htm)

## **Western Australia**

For further or updated information, contact Community Housing in the Department of Housing and Works at [www.dhw.wa.gov.au](http://www.dhw.wa.gov.au)

## **South Australia**

For further information about community and affordable housing in South Australia see the Office for Community Housing at

[www.communityhousing.sa.gov.au/site/page.cfm](http://www.communityhousing.sa.gov.au/site/page.cfm)

and the Affordable Housing Innovations Unit at

[www.housing.sa.gov.au/affordable/Default.aspx?tabid=283](http://www.housing.sa.gov.au/affordable/Default.aspx?tabid=283).

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# GLOSSARY

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## **Aboriginal community housing**

See **Social Housing**

## **Adaptable and accessible housing**

‘Adaptable Housing’ refers to the means of designing a house/unit that enables easy and relatively cheap adaptation to make it fully comply with access standards (refer AS 4299 Adaptable Housing – Class C). This housing is designed in such a way that it can be easily modified in the future to meet changing needs of occupants.

‘Accessible Housing’ refers to housing that has been fully adapted to meet the needs of a particular client or client type (e.g. wheelchair bound).

## **Affordable housing**

As defined by the National Action on Affordable Housing (NAAH), affordable housing is ‘appropriate for the needs of a range of low and moderate-income households, and priced so that households are able to meet other essential basic living costs.’

## **Appropriate housing**

Housing is deemed to be ‘appropriate’ if it is suitable to a household in terms of size, quality, accessibility and location, if it is integrated into a reasonably diverse community, if it incurs reasonable maintenance, utility, and transport costs, and provides security of tenure for a reasonable period.

## **Betterment capture**

Refers to the placement of development conditions on land in order to recover, for public benefit, increased land values that arise from regulatory changes or major public investments.

## **Bonus system incentives**

Bonus system incentives involve the relaxation of planning standards in exchange for the provision of affordable housing in designated areas, usually through a specific negotiation and assessment process. Examples include reduced height, set back, density restriction, or private and public open space requirements for a specific development in exchange for a commitment to provide on or off site, cash or in kind affordable housing.

## **Community housing**

See **Social housing**

## **Debt and equity finance for housing**

*Debt:* refers to conventional borrowings e.g. a mortgage instrument.

*Equity:* refers to public or private capital investment in a project.

**Developer agreement**

See **Planning agreement**

**Development controls**

Specific standards used to regulate the configuration, appearance, density, heights, building materials, landscaping requirements, provision for parking, and so on of developments. When intended to achieve objectives relating to urban design, heritage conservation or environmental conservation they may regard design issues such as height, building materials, or landscaping.

**Development conditions**

Requirements attached to planning approval. Conditions are usually a combination of standard requirements (for example, compliance with certain safety codes), as well as matters determined in relation to a particular proposal, and can provide an opportunity to implement agreements between the developer and planning authority negotiated through the assessment process.

**Expressed demand**

This is demand for a good or service that has been registered, such as on a waiting list or by the action of a household, such as looking for housing. Economists use the term to distinguish between demand that is evident and potential demand that may be hidden or not recognised.

**Graduated planning standards**

The application of performance based planning standards as opposed to flat rate or universal planning standards. These may be used to increase site yield and facilitate the provision of affordable housing in designated areas, and include such things open space standards that increase proportionally to the size of the dwelling and car parking standards that reflect the location or future residents of the building.

**Housing affordability**

The rent or purchase price of housing that is appropriate to the needs of a household compared to the capacity of that household to pay, which is usually measured by the level of household income.

**Housing assistance**

Diversity of ways that governments assist households who cannot access suitable housing in the market without assistance.

**Housing price points**

The range of prices paid for different types of housing in each local area.

**Housing provider**

A public, private or not-for-profit agency that provides housing services.

## **Housing stress**

Term first used in Australia by National Housing Strategy (1991/92) to refer to lower income households with high housing costs. Has since been widely used as a (de facto) standard for assessing affordability problems in Australia.

The two most widely used approaches to defining households in housing stress are:

- Those households whose gross income falls in the bottom 40 per cent of the income distribution and who are paying more than 30 per cent of their household income to meet their housing costs (this is sometimes referred to as the 30/40 rule); or
- The (larger) group of households who have gross incomes below 120 per cent of the median household income and who are paying more than 30 per cent of their household income to meet their housing costs.

## **Housing subsidies**

Capital or recurrent grants or other in kind assistance (e.g. land transfer) provided to the consumer or producer of designated housing.

## **Impact mitigation measures/strategies**

Conditions attached to a development approval to compensate for an identified adverse environmental impact of the development. For example, redevelopment of existing affordable housing may be permitted if the proponent replaces it with an equivalent supply of affordable housing.

## **Inclusionary zoning**

The incorporation of provisions within a planning instrument requiring the inclusion of certain uses or facilities as a mandatory requirement for development approval. Can be used to require that a development include a component of affordable housing or a monetary contribution towards the provision of such housing.

## **Income definitions: very low, low and moderate income households**

- A very low income household is defined as having 50 per cent or less of median household income.
- Low income households are those with between 50 per cent and 80 per cent of median household income.
- Moderate income households have income between 80 per cent and 120 per cent of median household income.

## **Land banking**

When used with reference to affordable housing, this refers to the practice of the acquisition of land by government organisations to provide for future affordable housing demand. By purchasing land where growth is anticipated or planned to occur, government agencies can assist in stabilising land markets, discouraging monopolistic behaviour by ensuring a steady supply of land.

**Land development incentives/penalties**

Policies that encourage the timely release and development of land, in order to counter price inflationary behaviour and contribute to a steadier program of housing development in response to demand. Incentives to land development might include assistance with meeting infrastructure payment obligations. Penalties to discourage land withholding might include the imposition of urban rates for development sites that have not been released and developed within a certain time period.

**Leverage**

The additional money that a program or project causes others to contribute.

**Local housing strategy**

A plan of action to encourage provision of a range of housing that aims to meet the existing and future housing needs of the local community.

**Market failure**

A situation where barriers prevent the normal and efficient operation of a local (housing) market.

**Median household income**

Median income is a widely used measure of typical or average income. It represents the income level at which 50 per cent of the population (or households) have lower incomes and 50 per cent have higher incomes.

**Not-for-profit organisation**

A non-government organisation which does not distribute profits.

**Out of sequence development**

Development that proceeds ahead of planned sequence. For instance, a residential development plan might designate areas for future development, subject to the timely provision of infrastructure. 'Out of sequence development' that is approved ahead of this schedule and may be required to pay any additional costs associated with infrastructure provision.

**Partnerships**

Partnerships bring together representatives from different sectors and different communities of interest to agree and work towards common goals. Partnerships vary greatly in how they are established and resourced and how they operate. Each partner adds value to the project in some way.

**Planning agreement**

A voluntary agreement between a planning authority and a developer under which the developer agrees that as part of a development proposal or rezoning that a monetary, land or other contribution will be made towards an agreed public purpose. May also be referred to as Developer Agreements.

## **Planning process incentives**

Incentives to the provision of affordable housing associated with the development process itself, including special processes to expedite development assessment, the reduction or exemption of fees and charges, infrastructure charges, or rates, and the selection of a dedicated development assessment team.

## **Public housing**

See **Social Housing**

## **Regeneration**

Action that leads to the solving of urban problems in areas that have undergone decline. This action aims to achieve a lasting improvement in the physical, economic, social and environmental nature of an area.

## **Rent assistance**

Rent assistance is a non-taxable income supplement payment added on to the pension, allowance or benefit of eligible income support customers of Centrelink who rent in the private rental market. Pensioners, allowees and those receiving more than the base rate of Family Tax Benefit Part A (FTB A) may be eligible for Rent assistance ([www.facs.gov.au](http://www.facs.gov.au), March 2006).

## **Rent setting methods**

*Market rents:* In the context of affordable housing, refers to the rent that an equivalent property in the private market would rent for.

*Cost rents:* Refers to the rent level necessary to cover the operating costs of a housing provider, usually calculated on a pooled costs basis across a project or program.

*Affordable rents:* Rents that meet defined standards of affordability for specified target households.

*Income-related rents:* Australian social housing practice of setting a tenant household's rent as a percentage of their household income (e.g. 25 per cent or 30 per cent).

## **Special needs households**

Households with personal characteristics that need to be taken into account in designing and/or providing housing, such as different forms of disabilities, cultural needs etc

## **Shared ownership schemes**

Tenure forms where the resident and another (public, community or private) investor jointly own the property. May also be referred to as shared equity schemes.

## **Social capital**

Our social networks—how we relate to each other—and the social norms (rules) and trust that underpin these—the ‘glue’ that holds our networks together. Policies and programs addressing this concept are designed to promote well developed social networks and higher levels of trust and reciprocity in communities.

## **Social housing**

Forms of subsidised housing, usually rental, for designated households. In Australia social housing includes:

- *Public housing*: Social housing owned and operated by public agencies
- *Community housing*: Social housing managed (and sometime owned) by a not-for-profit community based organisation
- *Indigenous community housing*: Social housing owned and (usually) managed by indigenous community organisations

## **Social or ethical investors**

Investors who accept a lower (than market) return for their investment in return for contributing to an affordable housing scheme

## **Social impact assessment**

Formal assessment of the social impacts of a proposed development for a particular group or groups in the community. Social impact assessment methodologies involve identifying the range of likely impacts and identifying strategies to mitigate these impacts if the development is approved.

## **Sweat equity schemes**

Housing projects where residents assist in construction and related development, in return for a reduced purchase price

## **Sustainable development**

Activity that achieves mutually reinforcing economic, social and environmental benefits without compromising the needs of future generations.

## **Target group**

The designated group for which a housing program or project is intended

## **Voluntary negotiated agreements**

Voluntary agreements made between a developer and planning authority (local council or state/territorial government) to provide affordable housing in exchange for a concession or subsidy of some type. Typically applied on a site by site basis or in relation to a specific development, these agreements recognise the significant increase in value associated with planning approval for the development. Examples of incentives used in voluntary negotiated agreements include reduction of infrastructure payment requirements, assistance with financing costs, and concession in other development application fees or related charges. Also called 'planning agreements'.

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