

International Practice in Planning for Affordable Housing: Implications for Australia

Introduction

There is growing policy interest in opportunities to use the planning system to promote and deliver affordable housing outcomes in Australia. In 2005, Australia's Housing, Local Government and Planning Ministers (HLGPM) agreed to encourage the use of planning mechanisms for affordable housing through their "Framework for National Action on Affordable Housing" (HLGPM 2005). Since this time at least three Australian States (South Australia, Queensland and Victoria) and the Australian Capital Territory have released significant policy documents and initiatives combining planning approaches with affordable housing outcomes. These range from changes to planning legislation in South Australia to a new Urban Land Development Authority in Queensland and programs to deliver new lower cost homes for purchase in Canberra. While such initiatives are somewhat overshadowed by the long traditions of planning for affordable housing across many cities and regions of the United States and the United Kingdom, they represent important developments in Australian planning practice, which to date has been largely confined to facilitating market led housing development. There have been very few attempts to influence outcomes for low or moderate income households through the planning system, despite clear evidence of growing affordability problems linked to urban renewal and rapid population growth in high demand metropolitan and regional areas (Yates and Milligan 2007).

This interest in the potential for planning to support affordable housing for low and moderate income groups, is tempered by concerns that the overall planning system itself is contributing to affordability problems. Industry groups claim that planning undermines the capacity of the market to deliver sufficient quantities of new housing, by regulating the locations and form of residential development, artificially constraining new supply and increasing land and house prices (for instance RDC 2006, UDIA 2007). Some scholars contend that sustainability policies limiting urban footprint are inconsistent with affordability goals, which arguably depend on more liberal land release regimes (Glaeser et al. 2006, Nelson et al. 2002, Quigley and Raphael 2004, Quigley and Rosenthal 2005). Others point to the small scale of existing Australian planning initiatives for affordable housing relative to international practice as evidence of the limited potential for such approaches in the domestic context (Beer et al. 2007, Beer 2004).

This paper explores these themes with reference to Australian Housing and Research Institute (AHURI) research on international practice in planning for affordable housing across six nations (Australia, the United Kingdom, Ireland, the Netherlands, the United States, and Canada) (Gurran et al. 2007, Gurran et al. forthcoming). Within each of these nations, specific regional and local cases were selected for closer analysis of planning approaches and affordable housing outcomes. Sources of evidence for the research included primary documents (legislation, plans, program documentation and evaluations) as well as 29 structured interviews with housing policy officers and planners from state and local

jurisdictions. A focus group of Australian housing and planning policy officers was also held to assist in interpreting the implications of research findings for the Australian context.

The paper begins by sketching arguments surrounding urban planning and its functions in relation to housing and affordability. Next the paper highlights the similarities and differences in national fiscal and housing policy frameworks relating to affordable housing, and characteristics of planning systems or development control regimes. Thirdly it considers how different planning interventions and housing market conditions interact to affect affordability outcomes. Finally, the paper addresses the larger question of how planning intersects with broader government policy and investment or incentives for affordable housing, highlighting opportunities to unify urban planning and housing policy in Australia. The intention in this paper is not to detail the full method and findings of the larger AHURI study which is documented elsewhere (Gurran et al. 2007, 2008 forthcoming), but to outline key policy relevant conclusions to inform the design of new initiatives for affordable housing at national, state and local levels in Australia.

1. Planning for housing affordability and affordable housing

In this paper, 'housing affordability' refers to the broad spatial planning objective of ensuring a sufficient supply of housing and housing development opportunities, consistent with existing and forecast population needs. These needs include criteria for the appropriate location, design, and cost of housing across different tenures and market segments. The more specific term 'affordable housing' refers to the particular sector of housing that is affordable to those on low and moderate incomes, consistent with the definition adopted by Australian Housing, Local Government and Planning Ministers of "*housing which is affordable for low and moderate income households across home ownership, private rental as well as public rental tenures*" (HLGPM 2005, p.1). Housing is regarded affordable for these target groups if rental or mortgage payments consume up to 30 per cent of their household income.

In addition to the need to promote housing affordability through sufficient and appropriate supply, it is also argued that planning must deliver housing opportunities that are affordable for these low income target groups (Oxley 2004). Such arguments derive from broader planning policy for environmentally sustainable development, which includes the importance of social equity alongside the other goals of ecological integrity, economic vitality, high amenity and design in urban development. Affordable workforce housing supports economic growth and competitiveness (Barker 2004, Berry 2006). Ensuring that affordable housing is available near jobs and services reduces urban sprawl, meaning environmental benefits, lower overall infrastructure costs, and less traffic congestion (Calavita 1997, Liberty 2003). Social and familial support networks are disrupted if housing is unaffordable for younger and older generations who may have ties to a particular area (Anderson 2005).

However, some argue that urban planning actually undermines housing affordability, by constraining locations for residential development (so limiting supply, indirectly driving up prices), and by adding costs to the development process (which are directly added to the price of buying a new home) (Beer et al. 2007, RDC 2006, UDIA 2007, Quigley and Rosenthal 2005). It is worth briefly reviewing these concerns.

Costs associated with the residential development process

Costs associated with the residential development process include:

- the costs of complying with development controls for environmental protection, neighbourhood amenity, heritage, or other local design considerations;
- procedural costs associated with the planning system – from the costs of securing planning approval (development application fees, documentation, meetings and holding costs associated with permit assessment times); and,
- costs associated with contributions to planning authorities towards shared infrastructure or community services, termed here “developer contributions”.

There are sound reasons for each of these types of costs. Planning controls protect important societal and neighbourhood values, preventing negative impacts arising from private development such as reduced privacy, environmental degradation, or the loss of culturally important buildings or views (Evans 2004). Planning requirements that promote housing diversity in the form of smaller dwellings and apartments create opportunities for lower cost entry to home ownership and greater supply of rental housing. Secondly, some costs associated with planning assessment requirements are essential to ensure good decisions are reached. Lastly, contributions towards local infrastructure and community services recognise that new development brings some impacts for existing services – from the need for road systems through to parks and neighbourhood facilities; and ensure that such facilities are able to be provided within new areas (Been 2005).

Nevertheless, in some instances planning frameworks do not work effectively to achieve these broader goals. When planning controls are too stringent they may preclude lower cost and more diverse forms of housing (USHUD 2005). If procedural requirements are excessive and processes inefficient, unnecessary costs arise that are likely to increase the overall price of housing within a particular area. When development contributions are uncertain (not able to be calculated in advance of the land purchase) or are out of proportion to the scale of development, they may be associated with several undesirable impacts. While the extent to which development contributions are able to be directly passed on to the home buyer depends on market conditions, if the developer is unable to pass on the extra costs to the purchaser, new housing development may be discouraged, having an overall negative impact on new supply and house prices (Been 2005). Another consequence may be that developers seek higher end development with a greater profit margin, so discouraging more modest housing forms.

Constraining locations for residential development

Planning systems both within Australia and internationally, use land use controls to regulate where new housing can be established. Such controls are determined by reference to environmental considerations, accessibility to jobs, services and infrastructure, and the amount of new housing actually required by a particular population. Growth management and containment policies focus new housing opportunities within well located existing residential areas that may be currently underutilised, and in selected new areas able to be connected to public transport and other services. Australia’s metropolitan planning policies explicitly promote compact urban forms consistent with these principles (Birrell et al. 2005, Gurran 2008). However, opponents argue that such policies reduce affordability by

artificially restricting the supply of land, thus creating a demand / supply imbalance (e.g. Demographia 2007, Moran 2006).

While these arguments have an appealing simplicity, the weight of evidence suggests that more liberal land release policies will not solve affordability problems. Firstly, growth management policies which encourage more intense use of existing areas are usually designed along side programs to release new land on the urban fringe, as occurs in all Australian cities under existing metropolitan plans. Secondly, as housing markets are highly segmented, even within a single city, more land for housing on the fringe is unlikely to impact on demand in inner areas, although there might be impacts for nearby suburbs, perhaps even leading to disinvestment in these locations. Land that is able to be used for housing might not be developed in the short term either, as developers are less likely to invest in new housing when markets are declining (Barker 2004).

There are affordability impacts of containment policies, however. Greater development potential associated with density increases land values and promotes gentrification, reducing low cost accommodation opportunities. Similarly, strategies that promote compactness and accessibility in Greenfield areas are likely to create housing demand, and this desirability may contribute to higher house prices and rents. Arguably, the appropriate planning response is not to undermine amenity, accessibility and environmental performance but to ensure that any consequent value uplift is offset by specific planning strategies to monitor and ensure a sufficient supply of housing that is affordable to low and moderate income groups. Such strategies are outlined in Table one and discussed further below.

In summary then, housing affordability is an important goal of urban and regional planning policy, supporting objectives for social diversity and equity of access to opportunities for jobs and education. Working optimally, planning facilitates the conditions needed for investment in new housing supply, and can reduce potential surges in demand by effectively anticipating demographic and market trends and ensuring sufficient development opportunities within well located existing and new urban areas. However, if planning requirements are unduly onerous, or if the costs of securing development approval are too high, negative impacts for housing supply or affordability may result. Further, there are price impacts associated with the renewal of existing areas and the creation of new attractive and accessible communities. To avoid problems of spatial disadvantage and polarisation, specific planning policies are needed to ensure a sufficient supply of housing that is affordable to those on low and moderate incomes (Blake and Collins 2004).

Planning for affordable housing in Australia

There has been ongoing planning system reform in each of the Australian States and Territories to reduce planning complexity and administrative delays perceived to affect the supply of land and approvals for new development (eg. Department of Planning 2007, Department of Sustainability and Environment 2006). Queensland, South Australia and Victoria have all introduced state planning policies relating to housing and housing affordability over the past two years (eg. Department of Human Services 2006, Government of South Australia 2007). In 2007 South Australia amended its Development Act 1993 to enable development plans to provide for the procurement of affordable housing (s23(3)a). Affordable housing is an objective of the NSW Environmental Planning and Assessment Act 1979 but additional statutory change is needed to permit local government to include affordable housing requirements within their planning instruments. In the late 1980s and

early 1990s the NSW government also introduced policies to overcome local barriers to housing for seniors and those with a disability in residential areas and to protect low cost rental accommodation in metropolitan regions (Milligan et al. 2004), but there has been little enhancement to these policies since that time.

At the metropolitan level, all state capital cities are covered by plans or strategies that refer to affordable housing or related goals but measures to implement them are largely undeveloped (Gurran 2008). Nevertheless there have been some area specific initiatives for mandatory affordable housing inclusion in selected inner city urban renewal areas. Voluntary agreements to contribute to affordable housing have been reached in some redevelopment and Greenfield areas of Sydney, Melbourne and Brisbane, supported by planning incentives and concessions. Planning mechanisms to protect existing low cost rental accommodation or offset the loss of such stock through social impact provisions have been implemented to some extent in Brisbane, parts of Melbourne, and metropolitan and regional NSW (Gurran et al. 2007, Williams 2005). Mandatory affordable housing contribution requirements have been introduced in certain areas of inner Sydney.

This rather limited use of the planning system for affordable housing in Australia contrasts sharply with nations such as the United Kingdom and the United States, where there is a long history of planning for affordable housing. A variety of measures are used to facilitate new housing supply, remove barriers to low cost housing, protect existing low cost accommodation, and create dedicated new housing that is affordable to low and moderate income households (Table one). Other nations such as Ireland and Canada have developed affordable housing mechanisms more recently. Nevertheless, the Irish example demonstrates that significant change can be achieved within a relatively short period of time given high level policy commitment and legislative support. The Netherlands has a long history of integrated housing policy and urban planning and development practice which show alternative ways of securing and managing affordable housing.

Table One: Planning objectives and measures for affordable housing

Strategic objective	Measure
1. Increase housing supply	Land audit (review of available sources of land for new housing development or redevelopment)
	Government dedication / acquisition of land for use as dedicated affordable or mixed tenure housing
	Land development or renewal authority (Government authority dedicated to facilitating new housing supply opportunities in response to affordability concerns or market decline)
	Land development incentives / penalties (Levers to discourage withholding of land, to ensure a steady flow of residential development on the market)
2. Reduce barriers to affordable housing development	Audit existing planning controls; assess impact of proposed regulations on affordability (production and compliance costs)
	Development controls permit diverse housing, in as many areas as possible
	Faster approvals for preferred development (reducing holding costs so making housing development more economical)
3. Preserving and offsetting the loss of low cost housing	Social impact framework (to assess the impact of new development proposals on the supply of or need for low cost housing, and to provide strategies to offset this impact if development is approved)
	Preserving particular house types at risk (such as low cost rental housing accommodation or boarding houses, through additional assessment requirements when change is proposed)
	Assistance for displaced residents (such as money to assist in relocation or provision of alternative accommodation)
4. Encouraging new affordable housing	Graduated planning standards (standards which adjust to the type of housing being proposed, so can have cost savings, like reduced parking requirements for new studio apartments near transport)
	Planning bonuses / concessions (bonuses include additional development potential for housing that will contribute to housing diversity and affordability; concessions reduce existing planning requirements (such as landscaping)
	Fee discounts (lower application fees of contribution requirements reduce production costs for affordable housing)
5. Securing new dedicated affordable housing	Voluntary negotiated agreements between developers and planning authorities, to permit development subject to affordable housing contribution
	Inclusionary zoning - mandatory contributions for all identified development in the zone
	Mixed tenure requirements – proportion of development in new release areas must be affordable
	Impact fees – mandatory contribution to offset impact of development on affordable housing needs

Source: Derived from Gurrán et al. forthcoming, p. 32

Table One summarises the range of planning measures used to promote housing affordability and secure dedicated affordable housing across different cities and regions of the United States, the United Kingdom, Canada, Ireland, the Netherlands and Australia. These measures and the particular market circumstances in which they are likely to be most effective in the Australian context are discussed in greater detail below.

2. Comparing housing and urban development frameworks across six nations

When examining and contrasting international housing policy or practice it is necessary to establish a valid basis for comparison. While comparative research extends knowledge and yields new ideas, it is important to ensure that comparisons made between jurisdictions and conclusions drawn are legitimate (Golland and Oxley 2004). The different political, historical, cultural and socio-economic characteristics of each nation, as well as legal, institutional and administrative features of governance and land use regulation, explain why it is not always possible to transfer practice from one jurisdiction to another and expect similar outcomes (Lawson and Milligan 2007).

A methodological technique for comparing and interpreting practices and experiences between different nations is to establish “conceptual equivalence” across characteristics of governance or policy processes being examined (Golland and Oxley 2004, Milligan 2003). In comparing approaches to planning for affordable housing for this study, comparisons were made in relation to systems of housing, urban governance and land regulation (national / state / provincial / local); the character of development control regimes and processes for obtaining planning permission (described as ‘codified’, ‘negotiated’, ‘synergistic’, and an ‘amalgam’ of these features); government investment and incentives for affordable housing development; and the delivery infrastructure for affordable housing development and management (Table Two). Table Two also summarises the approaches used in each nation to promote or deliver affordable housing.

Characteristics of planning systems and development control regimes

Strong and synergistic housing and urban governance roles are undertaken at the national level by the United Kingdom and the Netherlands governments, in contrast to arrangements in nations such as Australia, Canada and North America where responsibility for planning is devolved to the States (or Provinces in the case of Canada) (Table Two).

There are also fundamental differences in planning processes, particularly the sequence of development approval and the point at which development entitlements are seen to be conferred. A highly codified land use zoning system applies across much of the United States, where development ‘entitlements’ and obligations are defined by planning regulations (White and Allmendinger 2003). Many cities and regions enforce mandatory requirements for affordable housing inclusion within dedicated areas (often described as ‘inclusionary zoning’). These obligations are then able to be offset effectively by fixed planning incentives or bonuses. The codified system of planning regulation means that these incentives (often relating to additional development potential or valuable concessions on requirements for landscaping or car parking) represent significant additional value to developers. Such approaches would not work so effectively in the United Kingdom where development entitlement is conferred only when approval for a specific project is granted through a process of site based assessment and negotiation (Table Two).

Rather, in the United Kingdom, this negotiated process is used to secure affordable housing contributions during new development and urban renewal, within the context of established targets (50 per cent net affordable housing inclusion is the target set by the Greater London Authority). Negotiations can also take into account the specific opportunities and constraints of a particular site and market cycle. This approach supports affordable housing

development in two ways. Firstly, while the likely affordable housing contribution is stated in the development plan, the potential value of planning approval is only known when approval is granted, offering developers a bargaining tool during land acquisition. At the same time, the negotiated approach means that planners are able to work with developers to achieve a solution in regard to individual sites and market circumstances, maximising the chance that the project will proceed.

Table Two: Comparing housing policy, fiscal, and urban planning frameworks for affordable housing development

Characteristic	United States	Canada	United Kingdom	Ireland	Netherlands	Australia
Responsibility for housing policy / land use planning	State, local government	Provincial, local government	National, local government	National, local government	Local government	State – enabling framework, devolved to local govt.
Process for obtaining planning permission	Codified - Limited discretion/ negotiation	Codified - Limited discretion/ negotiation	Negotiated	Negotiated	Synergistic - Permission consistent with detailed plan	Amalgam – Codification & discretion / negotiation
Government investment in housing assistance (capital investment)	Limited, to local authorities, via States and federal block grants	Limited, to some Provinces Federal government has re-entered the field via affordable housing agreements with provinces since 2001	Significant, available to affordable housing projects	Significant, funds acquisition of affordable housing by social landlords	Significant until 1995	Limited, predominantly social housing development only. Some recent state based initiatives
Taxation / subsidies other incentives for affordable housing development	Low income housing tax credit	Limited	Limited	Limited	Limited	New national rental affordability scheme from mid 2008.
Affordable housing delivery infrastructure	Strong non profit & for profit sector involvement in affordable housing development	Third sector (2/3 rd) and provinces (1/3 rd)	Strong Registered Social Landlords	Local authorities and limited but growing non profit sector	Large and asset rich housing association sector	Limited, growing
Planning mechanisms for affordable housing	Mandatory contributions; Voluntary, contributions; Incentives; Protective measures; Overcome local barriers.	Voluntary negotiated contributions; Incentives; Protective measures; Mandatory contributions in inner Vancouver.	Mandatory negotiated contributions. Overcome local barriers for affordable housing in rural areas.	Compulsory inclusion in new release areas.	Direct provision of sites; Affordable housing zone (prospective); Incentives for affordable housing providers.	Voluntary, negotiated contributions; Incentives; Protective measures; Mandatory contributions in inner Sydney.

Source: Derived from Gurran et al. forthcoming, p. 103

A new mechanism was introduced in the Irish Republic in the year 2000, in response to rapid escalation in housing demand and prices (Norris 2006). The mechanism (implemented through Part V of the Irish Planning and Development Act) operates to achieve mixed tenure by seeking 20 per cent of housing in new release areas for the affordable housing sector. Housing produced under this lever is then acquired by social housing providers with developers compensated at a level that recognises actual cost outlays but not market value (Brooke 2006, Norris 2006).

The Netherlands is characterised by a strong tradition of government intervention in land regulation and development, including the direct supply of land and funding for social housing development (Milligan 2003). Funded by central governments, municipalities drove the process at the local level, undertaking detailed planning of sites which were then offered for sale at the residual price established once municipal expectations (including expectations for social housing provision) were taken into account. Significant political, economic, and demographic changes in the Netherlands since the 1990s have seen a shift to more market based models but new planning requirements, including provision of a social housing zone, have been introduced to ensure that affordable housing continues to be included in new development in response to local and regional needs (Gurran et al. 2007).

Housing policy and fiscal arrangements for affordable housing development

The ways in which planning mechanisms intersect with broader policy, legislative, and financial frameworks for affordable housing supply differ across the international case studies reviewed. At one end of the spectrum, are the United Kingdom, Ireland and the Netherlands, where synergistic relationships between national housing and planning policy connect inclusionary planning requirements for new residential development areas with deep funding for social housing development and acquisition (in the Netherlands housing associations themselves are able to subsidise new affordable housing development). In the United Kingdom, a strong national planning emphasis on affordable housing as a material consideration in plan making and development assessment supports firm targets for affordable housing inclusion. These planning requirements are made viable by the availability of significant levels of national funding for social housing development and housing benefits for eligible lower income renters across private or social housing sectors.

In the United States, where inclusionary zoning is used widely, targets of 10-15 per cent affordable housing inclusion are not directly linked to capital funding for affordable housing development. However, such targets are usually supported by the availability of planning bonuses (such as density increases) or concessions (like reduced fees). Many state and local jurisdictions with affordable housing strategies in place also dedicate their own resources or public land to support low income housing programs. Further, mandatory inclusionary requirements in the United States are indirectly supported by the existence of Federal and State tax incentives designed to stimulate development of housing for low income households (Low Income Housing Tax Credit schemes).

By combining planning requirements for affordable housing with funding, subsidies or incentives, strong not for profit housing developers have emerged in the United States, the United Kingdom, and the Netherlands, to provide an effective “delivery infrastructure” for affordable housing that is able to be created or secured through the planning and development process. In contrast to the other nations reviewed here, Australia’s non profit affordable housing development sector is at an early stage of development and has limited

capacity to pursue affordable housing opportunities that might be delivered through the planning system, modest though these opportunities have been.

3. Matching planning interventions to Australian housing market conditions

The overall value of the market and available opportunities for housing development are important considerations in designing planning approaches (Lishman and Bramley 2005). High market demand for housing has demonstrably increased affordable housing outcomes in the United Kingdom, where local authorities are in a much stronger negotiating position when developers are demanding land (Crook et al. 2002). In the United States high residential land values mean that mandatory inclusionary requirements are more likely to be viable so long as the requirements are known in advance and that residential land value continues to exceed that of other potential uses not bound by an the affordable housing obligation (Lerman 2006).

The amount of development opportunity within a housing market is also an important consideration. If there is low investment demand due to over supply of opportunities, planning approval per se is unlikely to represent sufficient leverage to support an affordable housing contribution, and indeed may discourage development further. This consideration also applies if there are high remediation costs associated with a development, or if new development opportunities are in areas of low amenity (Goetz et. al. 2001). However in contexts of high demand and limited development opportunity, planning approval, particularly where the approval involves a favourable variation to existing controls, provides leverage to secure dedicated affordable housing contributions.

Levels of market activity reflect these two characteristics (market value and development opportunities) as well as overall macro economic cycles. When market activity is limited, planning mechanisms alone will not result in major gains to affordable housing supply. Nevertheless, when a market cycle slows there may be opportunities to support non profit housing providers, particularly if there are latent development opportunities. Such strategies also assist the building and development sector during times of reduced market activity.

In the following sections these different market conditions are considered in relation to the planning levers outlined in Table one. The discussion draws on the analysis of Australian and international case studies and outcomes (reported in Gurran et al. 2007, 2008 forthcoming).

Supply strategies

Regions characterised by sluggish flows of land for new housing development relative to existing and forecast demand will benefit most from strategies to facilitate new supply. Such strategies include government penalties to discourage the speculative withholding of land from development once it has been classified for urban development (Table one). Quasi government land development and renewal authorities may be able to access government land supplies and assemble larger sites, so may be particularly effective in areas where there are development constraints. By contrast, new supply programs on the urban edge are unlikely to have a major impact on housing costs within inner city housing markets, unless strong transportation links and local infrastructure supports a shift in housing preference and demand towards alternative locations.

Barrier reduction strategies

Barriers to low cost private market housing development include restrictive planning controls (such as large minimum lot sizes, or a predominance of zones permitting detached housing only). Extensive procedural requirements, such as the need for costly consultant studies to support development applications, or lengthy assessment times, can also represent barriers to low cost housing (USHUD 2005), although in some cases such requirements are justified (for instance if the proposal relates to land not currently allocated for housing). In low and medium market scenarios, strategies to dismantle these barriers may stimulate new housing development (Table one). They are likely to be particularly effective in markets where there is plentiful development opportunity and medium to high levels of development activity, as interventions that reduce costs associated with development should be passed on in lower house prices. Barrier reduction strategies may also open opportunities for new housing supply in markets where current development opportunities are limited.

Preserving and offsetting the loss of low cost housing

Strategies to protect remaining sources of low cost rental housing, or to offset the impact of losing such housing through redevelopment, are important in markets undergoing a rapid escalation in housing demand, due to urban renewal processes or rapid population growth. Where alternative sources of low cost accommodation is limited, the loss of such housing has a significant impact for residents. Planning provisions to protect identified low cost housing, which operate by adding additional assessment requirements for development proposals, may in themselves reduce pressure on such stock. In the same way, requirements for social impact assessments to support proposals that might reduce low cost housing supply, including requirements to offset such impacts, may deter if not eliminate, the redevelopment of lower cost accommodation.

There are circumstances in which redevelopment or rehabilitation of lower cost accommodation is important to reduce concentrations of disadvantage or housing market decline. Strategies to redevelop areas of declining housing quality may be needed to improve social mix and economic opportunities. However, it remains important to manage impacts for lower income residents, while ensuring that provisions do not deter market driven renewal strategies.

Incentives for new affordable housing

Planning incentives such as increased development capacity can encourage new forms of low cost market housing or dedicated affordable or social housing supply, where the incentive represents sufficient value to encourage take-up, and where development activity is buoyant. Incentives that reduce development costs for social housing providers should be effective in all market scenarios, as the social housing sector may develop housing during periods of low overall development activity. Fast tracking development approvals for affordable housing, reduced administrative fees or infrastructure contributions are likely to be attractive across all markets, depending on the value of these incentives.

In markets where housing development activity is slow or amounts collected for affordable housing projects are relatively small, the administration of the program might outweigh the benefits gained. Increased density entitlements are unlikely to be effective in areas if existing development capacity is not being utilised.

Seeking dedicated affordable housing

Opportunities to introduce voluntary or mandatory requirements for affordable housing contributions arise when major changes to planning controls are made. Such changes include rezonings to permit more intense development or variations to standards governing density. These changes may be initiated by the planning authority or requested by the developer. The extent to which a particular housing market can sustain particular contribution levels may change over time. Higher contributions may be accepted by developers in a rising market, but in low value or falling markets may deter development or reduce viability, particularly if the market has dropped since the land was acquired.

Mandatory affordable housing contribution requirements are particularly critical in high value markets. In these circumstances social housing developers may be unable to access development opportunities without significant assistance. Mandatory affordable housing contribution requirements are most effective in high value, high demand markets where it would otherwise be most difficult to secure or develop new affordable housing supply opportunities (Crook and Whitehead 2004, Whitehead et al. 2005).

However, there are some mandatory approaches to affordable housing inclusion within new developments that are best suited to lower value housing markets. In these contexts the gap between house prices on the private market and what is affordable to low or moderate income households, may be very narrow. It may then be feasible to require a proportion of the new housing (perhaps 15 per cent or higher) be offered on a restrictive basis to eligible low or moderate income households, or to affordable housing providers, following the models emerging in Ireland and South Australia. There may also be benefits for developers able to achieve a degree of certainty through guaranteed sales.

Mandatory approaches can also complement other government investments to support affordable housing, from capital funds for social housing to incentives for affordable housing development. Whatever the market, if affordable housing contributions are provided onsite – rather than as a financial payment – the goal of social mix is also promoted (Whitehead et al. 2005, p. 30).

Conclusion: Unifying urban planning and housing policy in Australia

In contrast to the international examples reviewed here, use of the planning system for affordable housing in Australia has been disappointing to date, and outcomes unremarkable. However, this experience makes sense when placed in its international context where effective planning models support, or are supported by, broader government investment in affordable housing development. New Federal Government initiatives suggest much greater potential to emulate international experience by unifying national affordable housing goals with local planning practice.

The new National Rental Affordability Scheme (NRAS) offers a major opportunity to connect housing and planning policy in Australia. The scheme offers an annual incentive for new low cost rental dwellings over ten years, comprising a Commonwealth contribution of \$6,000 as a refundable tax offset or grant, and a \$2,000 State or Territory contribution made as a direct payment or other equivalent support. While this amount is unlikely to secure access to high demand locations without additional government subsidy, if supported by planning requirements for affordable housing in high value areas, over time a supply of land for mixed tenure development in these markets will accrue. Successful implementation of the NRAS is also likely to depend on the effective implementation of many of the other planning approaches to support affordability and affordable housing outlined above. Depending on the characteristics of the specific market these might include land supply interventions, barrier removal strategies to remove impediments to lower cost or flexible housing forms, and planning concessions or bonuses to support affordable housing projects.

The Federal Government's new Housing Affordability Fund is also intended to promote housing affordability by improving planning for housing supply and reducing infrastructure cost burdens (FaCSHIA 2008). Grants under both schemes might ultimately be linked to the existence of affordable housing provisions within local and regional plans, so that authorities must demonstrate how and where they are providing affordable housing opportunities within existing and new development areas. Such requirements would provide powerful motivation for planning change for jurisdictions wishing to receive grants under the Housing Affordability Fund, or offer developers the chance to benefit from the National Rental Incentive in their areas. The leverage represented by these new programs offers important opportunities to move Australian planning more closely towards international practice in securing affordable housing for low and moderate income groups during processes of urban and regional change.

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