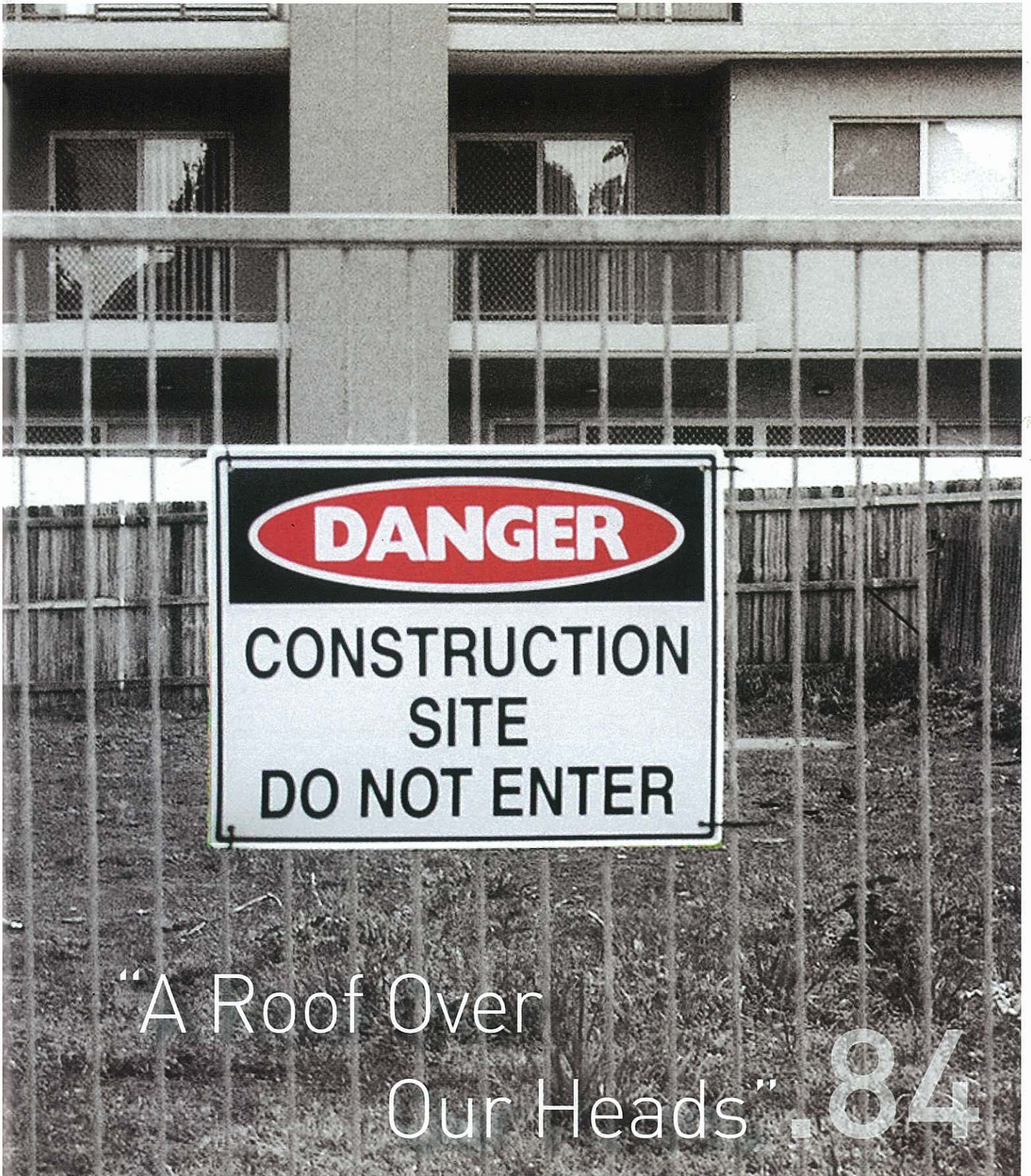


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# Planning Power: Delivering Affordable Housing

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While politicians search for innovative ways to increase the supply of modestly priced homes to rent or buy, newspapers and shock jocks campaign against building new social housing in leafy suburbs. With planners increasingly in the firing line, what role can we play in delivering affordable housing?

Land use controls and other planning interventions have a profound impact on housing delivery, location and affordability. This is through the release of new land, the zoning of existing land and the provision and cost allocation of infrastructure charges - all contentious issues in Australia.

Planning tools can be used to prevent affordable housing by setting high building design standard and configuration codes ('exclusionary zoning'), or encourage it by imposing conditions and levies on major new developments ('inclusionary zoning'). Finally, as with the 2009 NSW Affordable Rental Housing SEPP, planning can help retain existing affordable housing stock.

Innovative planning approaches have been accompanied by a revolution in affordable housing delivery and finance. These changes are probably less familiar to planners. New public housing, developed and managed by state housing agencies for very low income earners is becoming rare. Instead, not-for-profit community housing groups are on the rise.

Not-for-profit providers are funded through a mix of public grants, tax breaks, bank loans and innovative products such as the National Rental Affordability Scheme (NRAS). NRAS incentives are being used to help build 50,000 new 'key worker' style properties for low and moderate income households over the next five years.

Three examples of affordable housing schemes that use the planning system are detailed below. They show the rich variety and innovation around Australia today. A common thread is that planning is just one of a series of steps enabling projects to proceed. Another is the complexities involved, particularly the need for cross-sectoral partnerships.

## City West Housing, Sydney

'Good news' planning stories are rare in NSW, but City West is an exception. Established by the NSW Government in 1994 as a new not-for-profit organisation, City West developed 450 new affordable homes in the newly-gentrifying Pyrmont/Ultimo area. This makes them one of Australia's most successful 'new wave' not-for-profit producers of affordable rental units.

Funding for City West was complex. The Commonwealth contributed \$50m (42%) under the Better Cities Program, and the NSW Government added a 4% levy on local public land sales. Developer contributions were generated from a levy on all commercial and residential schemes in the area under SREP 26. These could be in cash or housing, though in practice all were in cash - some \$14m by 2003.

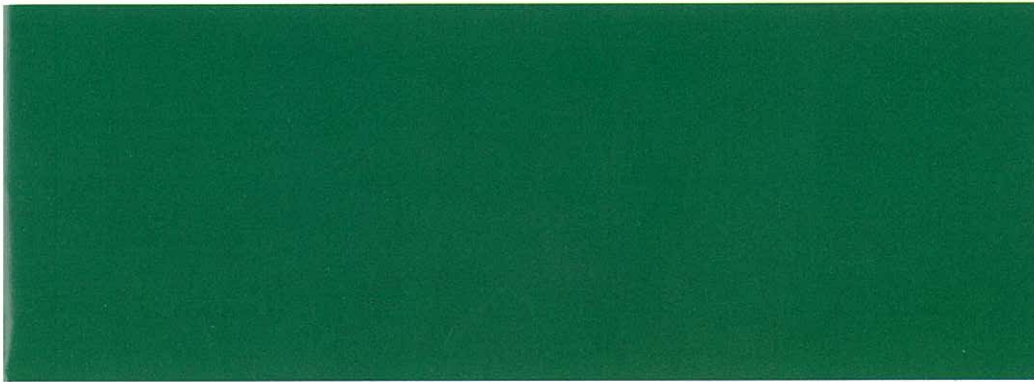
Together with tax and GST savings and a cross-subsidy from higher income tenants, City West's financing is such that they do not need on-going subsidy to provide affordable rental housing.



*Public Housing at Waterloo, Sydney. Old style approach to affordable housing*

From 1998 City West's area of operation spread south. Here, the City of Sydney 'Green Square Affordable Housing Scheme' aims to create 479 affordable homes over the next 20 years. The project mixes developer contributions with NRAS incentives in a partnership between local and state government, the private sector and a not-for-profit organisation.

As with Pyrmont/Ultimo, inclusionary zoning is central in Green Square.



Developers must deliver either 3% of residential floor area as affordable housing or, if payment is made in cash, \$121 per square metre. Separate levies are applied to non-residential schemes.

City West provides a great example of using planning tools to achieve affordable housing outcomes within particular precincts. However, the approach probably only works this well in a small number of areas where developer demand is strong and land prices high. It has been used in Melbourne Docklands, and will play a role at Barrangaroo. Such schemes are unlikely to reach outer metropolitan Sydney and regional

NSW. Therefore despite undoubted successes, City West remains something of a demonstration project.

**Port Phillip Council, Melbourne**

Port Phillip is one of Australia's most progressive and far-sighted local councils in promoting affordable housing solutions. In 1986 the former City of St Kilda Council established a new organisation to acquire and manage affordable housing. As with City West, this was in part to mitigate gentrification. Using a mixture of State and Commonwealth grants together



*City West housing at Green Square, Sydney. Contemporary designed mixed-income neighbourhood'*

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“... Despite their pioneering work,  
few other Councils have followed ....”

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with land contributions and favourable council planning agreements, the not-for-profit organisation completed 459 affordable rental homes.

Now known as Port Phillip Housing Association, and covering a wider area in south Melbourne, the organisation operates more at arm's length from Council. In 2006, housing assets were transferred from Council to the Association under a trust agreement to preserve them from political interference. The Association is increasingly partnering with developers, other councils and VicUrban, and leveraging NRAS incentives, bank finance and Nation Building Stimulus funds.

Despite their pioneering work, few other Councils have followed Port Phillip's lead. There have been examples of good practice by Waverley and Canada Bay Councils in NSW, though their projects are small scale. Most local authorities have no affordable housing policy, or only a rudimentary one. While Port Phillip uses planning bonuses to produce integrated market/affordable housing schemes, the proposed comprehensive Inner Melbourne Action Plan for inclusionary zoning has stalled.

### South Australia

South Australia has the most progressive and comprehensive approach of all Australian jurisdictions to inclusionary planning. Their 2005 Housing Plan requires all new 'significant' residential developments to include 15% affordable housing, of which 5% is targeted at high needs households. The affordable homes can be sold to the State Housing Authority, community housing groups or direct to purchasers.

Most of the properties built to date have been for affordable home ownership not rental. Affordable sales are restricted



*Colonel William Light, Adelaide. South Australia's tradition of strong planning continues today with a comprehensive inclusionary zoning policy*

to eligible buyers who earn up to 120% of median household income and do not already own property. In metropolitan Adelaide incomes range up from \$66,346 for a single person up to \$76,962 for a family with four children, and the sale price cannot exceed \$255,000. To further encourage home ownership, the Government established HomeStart Finance in 1989 as a public corporation offering low deposit loans for lower income borrowers.

There have been several successful schemes using this approach, carefully integrating market and affordable housing and, from 2010, Transit Orientated Development. However, state officials admit progress has been slow and the total number of affordable homes built has not been revealed (never an encouraging sign). To date, most affordable homes have been built on State land and sold through tender with only one site on private land fully utilising the planning system. Developers appear to accept the 15% inclusionary zoning principle, though in a relatively weak property market few projects work financially.

### Planning power

It is not breaking news to suggest that land use planning plays a key role in shaping housing outcomes – including affordability. What has changed recently is the belief that planning should move beyond land release and zoning into more pro-active approaches to address housing supply problems.

From the 1990s, planners have started using a variety of new tools, techniques and funding mechanisms. These are not Australian inventions, having been copied in the main from Britain and the United States. However, rather than introduce clear national policies, we have markedly different approaches across States and Territories. Many housing schemes have been demonstration projects, with the opportunity lost to take them to a larger scale.

Increasingly the delivery of affordable housing requires a complex web of partnerships between players in the public, private and not-for-profit sectors. The three examples in this article are good examples of this. In these partnerships, planners are just one component. They can bring planning tools, and often access to grants and public land, though these in isolation will not make projects work. 'Collaboration' is the buzz word, replacing 'command and control'.

The complexity of contemporary affordable housing delivery brings many challenges. Planners must be increasingly multi-skilled and need to be at ease with spreadsheets, risk management, debt finance and housing policy. Yet the opportunities are great. Local and state government planners can sit like the spider in the centre of the web, coordinating the various affordable housing partners and finance sources. Planning power is on the rise.