

# **Local Government Guide**

**to developing an**

# **Affordable Housing Strategy**

**August 2012**





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# Local Government Guide to Developing an Affordable Housing Strategy

## Executive Summary

Local governments are instrumental in ensuring local residents are able to access a range of diverse housing options based on their needs. “While national and state planning policies and initiatives are required to help address the issue (of affordable housing), the diversity of housing needs and varying local housing market conditions meant that affordable housing strategies and their implementation often need to be locally driven” (Gurran, 2008, p. 5). Local Planning Schemes and Affordable Housing Strategies are therefore very important to facilitate affordable housing at a local level.

This guide is a resource to assist local governments to develop an Affordable Housing Strategy to ensure the adequate provisioning and diversity of affordable housing. The guide includes a range of tangible measures councils can use to achieve more favourable housing options for their residents. The guide explains what an affordable housing strategy is and why they are important for local governments; how to undertake a housing market analysis and read demographical data; and how to turn this analysis into strategies for action to facilitate more affordable housing. The ultimate aim of the guide is to create a dynamic Affordable Housing Strategy tailored specifically to individual council needs.

The Local Government Guide to Developing an Affordable Housing Strategy was prepared by Robert Gough, with guidance from Dr. Shane Greive, Lecturer in Urban and Regional Planning (Curtin University) and input from the Shelter WA staff. The guide includes local, national and international research on effective planning mechanisms to promote affordable housing. Key sources of information for the guide include research published by the Australian Housing and Urban Research Institute (AHURI) and the ‘Affordable Housing National Leading Practice Guide and Tool Kit’ compiled by Dr. Nicole Gurran (2008). A full list of reference sources is included in the reference section at the end of this Guide.

## About Shelter WA

Shelter WA is the peak body for affordable housing and homelessness in Western Australia. Shelter WA is an independent community based organisation committed to accessible, affordable, appropriate and secure housing for every Western Australian. Our work focuses on promoting the development of affordable housing options for people on low to moderate incomes, or those who are otherwise disadvantaged in the housing market. This includes options within the social housing sector, the private rental market and in home ownership. Shelter WA’s role is to provide community education and advice to governments on housing policy issues. Our development of policy is based on sound research and consultation with housing consumers and community based organisations working on housing and related issues.

## 1.0 What is Affordable Housing?

The definition of what is meant by affordable housing is integral to the understanding of the policy commitments and objectives which need to be included in local government documents. These objectives should be adopted by council through the implementation of a local Affordable Housing Strategy.

**Affordable housing** is housing which is affordable for households in lower or middle parts of the income scale (Disney, 2007). This housing also must be reasonably adequate in its standard and location for these households and “does not cost so much that such a household is unlikely to be able to meet other basic living costs on a sustainable basis” (Disney, 2007).

The term ‘affordable housing’ refers to ‘public’, ‘community’, ‘non-profit’, ‘social’ and ‘high-need’ housing, and therefore can be provided by the public, community or private sectors. Due to the stigma associated with the other terms, ‘affordable housing’ should be used as this will reduce unfair distinctions made between terms and foster public and political support. ‘Social housing’ should be replaced with ‘government and non-profit (GNP) housing’ for this same reason, when referring to housing managed by government agencies or NGOs (Disney, 2007).

The 30/40 rule has been generally used to measure housing affordability. This means the bottom 40% of income earners should pay no more than 30% of their income on housing, either as rental payments or a mortgage.

**Social housing** is affordable housing which is provided directly or indirectly by governments to people who are unable to sustain housing costs in the private sector (Housing and Urban Research Institute of WA, 2008). People on low incomes, families with low and moderate incomes, people with disabilities, the elderly and others whose needs are not met by the market all use social housing. Social housing includes public housing and community housing. **Public housing** is social housing provided (developed and managed) directly by governments. In WA, public housing constitutes the housing developed and managed by the Department of Housing.

**Special needs housing** is housing which is dedicated to the appropriate housing of people with special needs, including people with disabilities, elderly people, people experiencing homelessness, and those with substance issues. In most instances, it is also managed and supported housing, generally with professional staff and case workers in attendance. It can be owned and managed by government, community, or private sector providers.

**Community housing** covers a broad range of housing types including affordable long term rentals for singles and families, lodging houses, special needs housing, and shared equity home ownership schemes. The defining quality of community housing is that it is owned, developed and/or managed by not-for-profit housing organisations. Characteristic features of community housing include flexible combinations of public, private, and community funding sources, together with the ability to house a range of low to middle income households.

## 2.0 What is an Affordable Housing Strategy?

An Affordable Housing Strategy is a supplement for a local housing strategy. It focuses on resourcing and directing planning actions, including policy formulation, to address the community's need for affordable housing (Greive & McKenzie, 2009). Each strategy consists of a detailed range of practical responses, including initiatives specific to the area, as well as further prospects for housing reforms. It identifies key inhibitors and challenges to achieving affordable housing revealed while undertaking research into current and future needs.

An Affordable Housing Strategy should also identify where current policies and strategies have failed or need amendment to facilitate better housing diversity. It is also very valuable to consider partnerships with community organisations, as there has been a disconnect between local governments and support networks in local areas (Greive & McKenzie, 2009).

## 3.0 Housing Needs Analysis

To assess the housing needs of a certain locality, the groups in need of affordable housing must first be identified. This includes an analysis of the current demographical composition including the prevalence of families, individuals, Aboriginal people, youth, seniors and people from culturally and linguistically diverse backgrounds (Greive & McKenzie, 2009). This demographical composition needs to be used in combination with identification of the prevalence of people with disabilities, mental health issues, substance misuse, health issues, offenders/prisoners, and people experiencing domestic or family violence. All of these groups require housing which is affordable and appropriate to their needs.

All local areas have different housing difficulties and opportunities. Consistent methods of analysis will identify these individual difficulties and opportunities and enable cross-boundary comparisons (Gurran, 2008). These analyses will inform future residential development and provide a targeted review of existing local planning frameworks. According to research done in New South Wales, councils which conducted housing needs analyses were in better positions to develop partnerships and lobby higher tiers of government (Tiley & Hill, 2010).

The Housing Needs Analyses forms part of the local housing strategy. They include a needs analysis, policy objectives and strategies to achieve these goals, including land use planning strategies (Gurran, 2008). Tasks associated with developing the Affordable Housing Strategy include (Tiley & Hill, 2010):

- research housing needs and supply;
- research the degree of unmet housing need through affordability or appropriateness;
- develop council policies and an Affordable Housing Strategy;
- develop and convene an Affordable Housing Reference Group and Advisory Committee;
- research affordable housing funding opportunities; and,
- develop partnerships with government, business, private and community sectors in the planning and development of affordable housing projects.

### 3.1 Target low and moderate income households

The need to determine what is low and moderate income is necessary to adequately plan housing for this group. 'Low and moderate-income households' have incomes below 120 per cent of the gross median income of all households (Gurran, 2008). This category can be sub-divided into incomes below 50 percent of the median ('very low-income') and between 50 to 79 percent ('low income'); and between 80 and 119 percent ('moderate income'). This needs to be calculated for the Perth metropolitan region, so that each local government can incorporate a diverse housing stock. In general, low and moderate-income households vary from \$35-60,000 nationally (Gurran, 2008).

There isn't a precise measurement for determining the affordability of housing costs, but a widely used indicator (the General Affordability Indicator) is that mortgage or rental payments should be less than 30 percent of gross household income (Gurran, 2008).

According to Milligan, Phibbs, Gurran and Fagan (2007), gross rent and mortgage affordability can be calculated against gross household income. This is shown in Table 1. Median household incomes are available from the ABS Census and should be indexed against consumer price index (CPI) ([www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0](http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0)). A housing market analysis can therefore be undertaken by local governments in relations to the whole metropolitan region.

**Table 1: Household income and affordable housing and mortgage costs**

<b>Gross household income (\$)</b>	<b>Indicative affordable house price (\$)</b>	<b>Indicative affordable rent (\$)</b>
\$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: Milligan, Phibbs, Gurran and Fagan (2007)

Currently a household in Perth needs an income of over \$1,400 per week (\$72,800pa) to be able to afford the median rent of \$420 per week (Housing Industry Forecasting Group, 2012).

### 3.2 Data needed for housing needs and market analyses

Housing needs and market analyses should focus on four key areas (Gurran, 2008):

- 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)

**Table 2: Data and sources for housing needs and market analysis**

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



## 4.0 Breaking Down the Housing Needs and Market Analysis

A market analysis is an examination of the whole market, including demographics and economy of the area as well as the current supply and opportunities for development (Gurran, 2008). This market analysis will identify the gaps in the current market and find opportunities to provide the housing needed.

### 4.1 Demographics

Population and household structure influences the housing needs and demands within a locality. The market analysis should include demographic trends, such as size, age, gender and ethnic structure as well as those with specific needs outlined in section 3.0.

#### 4.1.1 Age structure

The age structure of a population influences migration trends, household formation and therefore housing need. Age influences tenure preference, as explained below:

- *15-24 years* are characterised by shared rental tenure. Many people in this age group are quite mobile, while seeking education and career opportunities. This age group is at risk of housing stress as they transition from the family home to independent living.
- *25-44 years* with children are often looking to purchase homes, if possible, and generally have the largest household size.
- *45-64 years* tend to have smaller household sizes as children have generally left. This age group includes a high proportion of property owners.
- *65+ years* usually have a high degree of outright ownership, but limited income streams.

**Where to find information:** Australia Bureau of Statistics (ABS)

#### 4.1.2 Special needs groups

There are special needs groups in the population who have specific housing needs. This is outlined in the WA Government's 'Affordable Housing Strategy 2010-20 Opening Doors to Affordable Housing' (Department of Housing, 2010) as well as the 'Affordable Housing National Leading Practice Guide and Tool Kit' (Gurran, 2008). These issues don't just relate to affordability and accessibility, but also to structural issues such as amenity and design.

Ethnicity is also a strong influence on the location and mix of housing need. "Different ethnic groups have different age structures, household formation rates and fertility rates, and varying tenure, housing type and location preferences" (Gurran, 2008, p. 34). The source of this data can be collected from the ABS, but also from consultation with relevant organisations involved with community groups in each local government area and the peak housing body in Western Australia.

**Where to find information:** ABS and community organisations

## 4.2 Economy

Data on household incomes, rather than individual incomes, are most relevant to housing market studies. The cost of living, including housing costs, is borne by all members in a household, therefore this needs to be used to give a true indication of its cost. The following indicators of income are relevant:

- The median household income (half households have less than this, half have more);
- Proportion of very low income households with less than 50% of the median income;
- The proportion of low income households, which are defined as having 50 to 80% of the median income;
- The proportion of moderate income households, which have between 80 and 120% of median income;
- The proportion of households in the highest income category.

**Where to find information:** ABS, can be approximated using CPI Index

The industry structure of a region can be used to determine housing demand trends. *Cyclical* unemployment and *structural* unemployment need to be accounted for as well as the shift between permanent and casual employment, as this will likely mean a greater need for rental properties over home ownership opportunities.

**Where to find information:** unemployment rates by locality from Department of Education, Employment and Workplace Relations (DEEWR), quarterly ABS.

## 4.3 Supply

It is important to understand the current characteristics of existing housing stock in relation to overall population characteristics and trends, as well as to identify potential sources of lower cost housing supply. In analysing housing supply it is particularly important to take account of vacancies in areas with higher rates of seasonal visitors. Also newly completed dwellings not yet occupied, dwellings that are vacant because they are due for demolition or repair, and dwellings to let. Tenure is also 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 stock that is being purchased.

**Where to find information:** ABS Census Time Series Profile T14/T15 shows differences in dwelling types over the last three Census periods. Dwelling size data is available from Expanded Community Profile. Tenure is available through Time Series Profile T19.

Low priced rental stock, whether managed by public housing agencies or privately owned, is important to analyse. It can be analysed in reference to CPI increases leading to a comparison of availability over time.

**Where to find information:** ABS Time Series Profile T20 shows the number of properties in nominal rent categories; bond lodgement may be available from the Department of Commerce Bond Administration Section; data on public housing changes may be available from the WA Department of Housing during inter Census periods.

Tracking trends in residential development provides a way of monitoring housing demand and future supply. Building approvals data can be used to examine trends in development applications such as dwelling type and configuration, as well as the name of the developer, for future use in Section 4.4.

**Where to find information:** 'Building Approvals, Australia'; Local council approvals data.

Shortages of land for new residential developments can have a significant impact on the availability and pricing of dwellings. In addition, the type of development potential should be monitored (i.e. brownfield vs. greenfield).

**Where to find information:** State government land development programs compile statistics on land release and development trends; local land use plans contain zoning and lots earmarked for future development.

#### 4.4 Market

In order to get an adequate picture of the housing market in a particular area, it is important to identify organisations or institutions in the area and in which way they can work to stimulate affordable housing stock (Tiley & Hill, 2010).

It is useful to compile a list of housing opportunities. These could include vacant sites in public ownership, public housing sites which are undeveloped, or opportunities to change planning controls to enable residential development, such as rezoning.

Developers have a major impact on the type and quantity of housing available to the market. It is useful to understand what will facilitate or inhibit types of housing, especially at the affordable end of the market. An important task is to identify developers/builders in the local market and communicate with them about local conditions.

**Where to find information:** Development application registers maintained by local councils. The Urban Development Institute of Australia (UDIA), Master Builders Association and the Housing Industry Association (HIA) have information.

Private owners have a crucial impact on housing stock, especially for low-income households. Owners who control threatened stock, such as boarding houses and residential parks, are especially important.

**Where to find information:** Information on property owners can be found on Council's rates databases; registered real estate agents in the local area, Real Estate Institute of WA.

Public and community housing are supplied by State housing authorities and non-profit housing providers to those who are unable to secure accommodation in the private rental market. It is important to establish their plans in the local housing market.

**Where to find information:** WA Department of Housing and Community Housing Growth Providers may provide plans outlining their plans for local or regional areas; contact directly.

## 5.0 Assessment of Housing Trends and Identifying Issues

An assessment of supply and demand for housing at a local level can be misleading in terms of what housing is needed. This is because a change in the market may have pushed people out of the area, therefore moving the problem elsewhere. Therefore, a broader geographical context should be used when looking at local needs (Gurran, 2008).

### ***Housing Prices:***

Local house prices provide an estimate of the amount of available housing supply in relation to demand. Prices reflect the amount of 'active' stock available for renting or buying. House price data provides a good basis for measuring affordability in a particular area. Median house prices should be used as it is the point in which equal numbers of properties are above and below the median value. For this reason, median house prices are not skewed by unusually high or low values.

### ***Rents:***

Rental data is another important indicator of housing affordability. Rental market indicators include actual rents, percentage changes and vacancy rates. Stable rents indicate a reasonable balance between supply and demand. Rents are sometimes seasonal, and this should be taken into account.

Median rents can be misleading as they include bond lodgement, which may be atypically high or atypically low depending on when people enter the market.

A good measure of the state of private rentals is the vacancy rate, but sometimes data on this indicator is difficult to obtain. Generally, a rule of thumb is that a three per cent vacancy rate represents a balance between supply and demand for housing. Less than three per cent indicates a shortage and will lead to an upward pressure on rents. Perth's median rent has increased because of a low vacancy rate of 1.9% as of March 2012 (Housing Industry Forecasting Group, 2012). A surrogate vacancy rate variable can be calculated from the number of new bond lodgements, divided by total bond lodgements.

### ***Assessing housing stress:***

Housing stress is the assessment of impact that a high cost of housing has on low and moderate income households. Relatively high housing costs can mean that low income households are unable to meet essential needs or un-expected expenses, therefore putting them at risk of homelessness.

Housing stress is usually defined as households in the bottom 40 per cent of income distribution who are paying more than 30 per cent of their gross household income on housing costs; or a large group of households who have a gross income of below 120 per cent of median household income and paying more than 30% on housing costs. Housing stress must also factor in location, as this affects housing affordability (Disney, 2007).

Though this can provide a useful tool, these measures of housing stress 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 household payments. On the other hand, large households require larger dwellings and may experience greater housing stress.

Different age cohorts have a different likelihood of housing stress, with young adults being most vulnerable, due to the initial housing costs of buying into the market. Elderly people generally have less housing stress due to high rates of home ownership, however, elderly renters are amongst the most severely affected by housing stress in the private rental market (AHURI, 2012). Research also suggests that even when there is an apparent match between lower-cost housing and the number of lower-income households, that particular housing may not be available to lower income households. For example, if such housing is occupied by higher-income households, low income households will continue to experience high levels of housing stress.

The assessment of housing stress can also be done according to the 'residual income method', which differs from the 'income ratio method' in that it factors in household expenditure and taxation to determine housing stress. This method indicates higher rates of affordability stress among those on lower incomes, and lower rates among higher income earners (AHURI, 2012). Calculating housing stress using this method acknowledges that family households are more likely to be in stress due to higher expenditure patterns. It also highlights the degree of housing affordability stress among public housing residents, which is often overlooked when using other methods to calculate housing stress.

## **5.1 Monitoring and updating housing needs**

After completing this analysis, it is important that this information is updated, so objectives can be measured and reassessed if required. Many data sources detailed in Section 4 above are updated annually. The housing market analysis should always reflect current data and therefore must be updated regularly. Councils also manage their own data, which is valuable in monitoring housing needs, with some undertaking surveys.

Major stakeholders which can be consulted also include: real estate agents (house prices and rents, vacancy rates); community groups, especially housing organisations (demand and supply); Aboriginal housing and land councils (aware of their communities); interagency groups; regional organisations; local or regional housing staff (may be able to provide information on broad trends).

Data which should be updated on an annual basis:

- population trends
- employment trends
- house prices/rents
- dwelling approvals by region or local government area
- residential development approval by type and configuration
- levels of new public or community development
- loss of low-cost housing stock, such as boarding houses or caravan parks
- outcomes of affordable housing mechanisms in planning framework

## **6.0 Demographic Conclusions into Strategies for Action**

Draw conclusions: Is there a balance between housing supply and demand across all tenures? Is the housing appropriate and affordable? If the answer is no, more questions need to be asked and a change of housing stock may be required:

- Is there a large amount of new housing likely to be required to meet forecasted demand?
- Is the existing housing stock/land supply a good match for the demographic profile (that being a broad demographic profile)?
- Is there a group that misses out?
- Has there been a marked loss of low cost housing stock?
- Are there large concentrations of low-income households in the area? (If not, has gentrification occurred?)
- Is affordability a major issue?

### **6.1 Turning housing needs analysis into a planning framework assessment**

An assessment of the current planning framework in relation to housing needs to occur. When undertaking this assessment, a needs analysis should take into account:

- The broader regional and sub regional housing market, by looking at the study area in comparison to others.
- Local sources of data to identify possible opportunities for residential development.
- Involvement and consultation with key stakeholders including local developers, public and community housing providers.
- Update data sets at least annually.

**Table 3: Turning housing needs analysis into a planning framework assessment**

<b>Housing needs and market analyses</b>	<b>Assessing your planning framework</b>
Need for new housing due to increases in households and/or population	Does planning framework provide a sufficient supply of land for the next 10-15 years? Is there a need to identify new housing opportunities through re-zoning suitable land for higher densities (near servicing)?
Need for larger dwellings, or adaptable/accessible dwellings due to changing demographics and household size, for example: <ul style="list-style-type: none"> <li>• Increase no. of families with children or group households</li> <li>• Increase in couple or lone person households</li> <li>• Ageing population</li> </ul>	Is there a need to change zoning or development controls to encourage: <ul style="list-style-type: none"> <li>• Appropriate residential lot sizes to meet projected housing need and diversity?</li> <li>• A sufficient new supply or larger or smaller dwellings?</li> <li>• A sufficient supply of well located housing suitable for seniors?</li> </ul>
Need for additional housing for projected population increase associated with forecast economic/employment trends, for example: <ul style="list-style-type: none"> <li>• Anticipated new industrial development</li> <li>• Growth in the service sector</li> <li>• Need for aged care services</li> <li>• Seasonal employment trends</li> </ul>	Given the existing supply of residential land, is there a need to rezone land for higher density living in appropriate locations? Is there a need for seasonal housing such as caravan parks, manufactured home estates, zoning provisions allowing for temporary/permanent employing housing on site? Do you need to generate affordable housing for specific employment sector?
Proportions of population on very low incomes experiencing housing stress or at risk of housing stress, including: <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 caravan parks and manufactured home estates</li> </ul>	Is there a need to protect important sources of low-cost, semi-permanent accommodation from the threat of closure? Does planning framework encourage or permit development of new forms of low cost, short term housing, such as boarding houses or caravan parks? Does planning framework encourage or require dedicated affordable housing supply?
High spatial concentrations of people on low incomes, who may be at risk of social marginalisation or exclusion, for example: <ul style="list-style-type: none"> <li>• Large public housing estates</li> <li>• Large concentrations of private tenants on low to moderate incomes</li> </ul>	Is there an opportunity to encourage the renewal of these areas through planning initiatives for affordable housing and mixed tenure development? Is there a need to protect existing sources or introduce impact mitigation strategies?
Loss or shortage of low-cost rental housing stock and declining housing affordability, such as: <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 loss of lower-cost home purchase opportunities due to increasing housing demand from urban renewal and gentrification</li> <li>• Shortage of social housing opportunities (public or community housing, depending on demand)</li> </ul>	Is there an adequate supply of serviced residential land or redevelopment opportunities? Is there a need to review the affordability impact of development control (may become more standardised though a review of local government (Metropolitan Local Government Review Panel, 2012))? Are there a wide variety of housing forms permissible in as many well located areas as possible? Does planning framework allow and encourage more affordable and diverse housing types, such as mixed use developments? Are their protective mechanisms for existing sources of low priced housing stock? Is there an opportunity to introduce planning incentives for affordable housing development? Is there an opportunity to negotiate planning agreements for affordable housing on a voluntary basis? Is there an opportunity to introduce requirements for affordable housing contributions in defined circumstances?

Source: Gurran (2008, pp. 44-45)

## 7.0 Successful Planning Mechanisms for Affordable Housing

Different planning mechanisms for affordable housing are more effective in specific jurisdictions. Certain mechanisms are better for some local government situations depending on their location within the metropolitan region and therefore the right mechanism needs to be identified and implemented. The planning approaches can be assessed on a set of criteria to determine their appropriateness. These criteria include:

- Likely scale of impact
- Appropriateness in relation to other planning goals
- Efficiency in relation to time and resources required to implement and administer the mechanism on an ongoing basis, the affordable housing return compared with other mechanisms, and ensuring that measures don't contribute to market distortion
- Equity in terms of ensuring the measure doesn't disadvantage a particular group or individual
- Likely community or political support
- Sustainability principles including positive or negative economic outcomes

### 7.1 Barrier reduction strategies

Planning policies individually or used in combination may discourage or restrict affordable housing provisions in new developments. Barrier reduction strategies aim to reduce the impact of these constraints on affordable housing. Barriers can include:

- Restrictive planning controls which prevent diverse or low-cost housing forms (such as ancillary dwelling, duplexes, flats, boarding houses, or manufactured homes)
- Excessive building costs by mandating inclusions or finishes which are expensive, such as generous building setbacks, open space or specific building materials)
- Restrictive covenants such as provisions put on titles to limit the use of property or prohibiting certain uses, such as boarding houses, or covenants that mandate high-cost finishes which add to the cost of development.

#### 7.1.1 Examples of Barrier Reduction Strategies

##### *Victorian Planning Provisions*

In Victoria, planning provisions exempt rooming/boarding houses of up to ten habitable rooms in residential areas from requiring a planning permit.

##### *United States' Barrier Removal Strategy*

In the United States, the Federal Department of Housing and Urban Development has established a program to remove barriers to affordable housing, including reducing minimum lot sizes, ensuring diverse and higher density housing types, reducing car parking requirements, setbacks and open space requirements, and enabling more affordable building forms (like manufactured homes).



## *Previous Subiaco Affordable Housing Strategy*

The City of Subiaco pioneered local government housing reform. The reform promoted the renting of 'granny flat' accommodation (ancillary housing) to non-family members, therefore freeing up individuals, including students looking for accommodation close to their study or transitional housing.

### **7.1.2 What can they achieve?**

Barrier removal can have a direct influence on house prices, especially at the lower end of the market where margins between profit and production costs are smaller. They also work to create a diversity of housing types. They ensure that rental housing, such as boarding houses or hotel accommodation remains permissible and can be replaced.

They enable existing housing to diversify without dramatic changes to the neighbourhood, or even a need for new investment, for example permitting the use of 'granny flat' accommodation, which is used in City of Fremantle and previously in the City of Subiaco.

These strategies will have the greatest impacts in circumstances where new land release is limited. They will also have the greatest short-term impact where existing planning controls are most restrictive. Removing these barriers could actually stimulate the market.

**Table 4: Potential effectiveness of barrier reduction strategies**

<b>Market mechanism</b>	<b>Inner City</b>	<b>Middle Ring</b>	<b>Outer ring/ dedicated growth</b>	<b>Regional (high growth)</b>	<b>Regional (low growth)</b>
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
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Source: Gurran (2008, p.58)

Green= High potential impact on affordability goals.

Yellow= May have a positive impact on affordability, depending on local market.

Red= May be worth investigating, dependant on local conditions.

### ***Potential Limitations and Pitfalls***

There is no guarantee that full development cost savings will be passed onto the occupant of the dwelling, as house prices are determined by market forces. In a competitive market with low vacancy rates, these controls will be less effective. Even with this limitation, the housing diversity that can be promoted should be seen as very positive.

There is also a need to avoid removing controls which are important for other planning criteria, such as public safety, environmental protection, heritage, or the efficient provision of infrastructure and amenity.

## **7.2 Protective affordable housing policies**

Protective affordable housing strategies keep low-cost accommodation within an area or work to mitigate its loss. Policies can be site-specific or target incremental changes that over a long period reduce the supply of affordable housing (Gurran, 2008).

Many areas retain important supplies of affordable accommodation, such as low-cost rentals, boarding houses, hotel accommodation, shop top apartments and caravan parks. Redevelopment of these sites to accommodate population growth or the upgrading of housing stock can cause gentrification, pushing out lower-income groups. Protective mechanisms can control demolition, change of use, and redevelopment of affordable housing stock.

A social impact assessment can determine the impact of affordable housing. Protective mechanisms can also include setting aside a proportion of new housing to be available for low-income households. They should be used in combination with other mechanisms as a part of a long-term housing strategy, as they protect the current stock, but don't facilitate new stock. Protective affordable policies include:

- ***Impact mitigation:*** conditions attached to a development to ensure impact of redevelopment, e.g. making sure there's an equivalent supply of affordable housing.
- ***Requiring social impact assessments:*** where a social impact assessment must be undertaken to determine affordable housing impact.

- *In NSW this method was used, and where applications were approved the council required new developments to be rented at a fixed rent for a defined period, provide a financial payment, and/or provide assistance for previous tenants requiring rehousing.*
- *Hastings Council requires social impact assessments for 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 homes; tourist facilities with a value in excess of \$2 million.*
- **Controls for specific housing types:** provisions to prevent the removal of specific forms of affordable housing e.g. boarding houses and residential parks.
  - *City of Port Philip protects 'rooming houses' from redevelopment; provides assistance for operators to remain viable; and encourages their creation.*
- **Controls to limit house size:** protect against larger housing for smaller households, and provide opportunities for infill.

### 7.2.1 Where are they effective? What can they achieve?

Protective measures can have a great effect when:

- Existing supply of low-cost housing is under threat of redevelopment. It is important in times of rapid population growth, which is already happening in Perth;
- Critical when there are limited alternative sources of low-cost housing remaining in an area;
- Protective measures are important in both the inner city, where boarding houses and hotel rooms are located, as well as middle and outer ring metropolitan areas which contain rental flats, caravan parks or manufactured home estates. These measures are therefore applicable in most cases, but need to be site specific.

There are some limitations with the use of protective measures, these include:

- Protective requirements need to be clear, and planning authority staff need to be trained in interpretation of these requirements, location of existing low-cost housing, as well as how to negotiate payments or other housing assistance;
- Protective measures can act as a deterrent to renovation. Protective controls may be avoided if the redevelopment can be shown as substandard;
- A need to be strengthened by grant programs;
- Policies which are over-prescriptive might deter operators from maintaining their housing stock, to run them down or leave them vacant;
- Avoid introducing protective measures which deter new redevelopment applications.

### 7.2.2 How to use this measure

- a) Identify sources of affordable housing likely to be redeveloped or other development processes which could affect low-cost housing;
- b) Identify measures to offset the impact of these processes on low-income households within the area;

- c) Identify a trigger for social impact assessment provisions to apply in large scale development;
- d) Identify controls to retain, replace or manage the redevelopment of specific stock at risk.

## 7.3 Planning incentives

Planning incentives are very valuable in encouraging developers to provide more affordable housing. They can directly and indirectly reduce costs and increase profits for developers, and also lead to favourable outcomes for housing. Planning incentives can include *graduated planning standards*, *bonus systems* and *planning process incentives*. The use of planning incentives instead of blanket re-zoning puts Councils in a better position to push for the inclusion of affordable housing. When re-zoning land, the value of the land automatically increases with increased density. Developers therefore don't have to make a developer contribution to increase their profit. If local governments make density bonuses conditional to the inclusion of affordable housing, they'll have better leverage to push for a contribution to affordable housing.

### 7.3.1 Graduated planning standards

Relaxed controls on development performance criteria, such as open space requirements, car parking requirements (such as less parking for dwellings in centres with services and high quality transport) and use of plot ratio scales for development.

### 7.3.2 Bonus systems

Bonus systems enable a potential for greater development densities. Bonus systems operate through negotiation and assessment. Examples of incentives for a specific development include: reduced setback and density restrictions; reduced private and public open space requirements; reduced car parking requirements (justified in terms of future need).

- ***Ashfield City Council - floor ratio for shop-top housing:*** Developers may achieve additional floor space ratio within the commercial zone if the development combines residential and commercial development. Zone is close to public transport and servicing.
- ***East Perth Redevelopment Authority (EPRA) 10-15% social or affordable housing:*** 10-15% of housing being allocated to social housing (administered through the Department of Housing); affordable rentals (through not-for-profit organisations); affordable owner-occupied dwellings for people who miss out on social housing but meet a certain housing criteria.
- ***Waverley Council - floor space bonus scheme:*** Detailed in Local Planning Scheme and Development Control Plan: Multi-Unit Housing. Density bonus capped at 15% above base standard floor ratio, with 50% bonus given to council. Can be provided as a monetary payment or individual units. Managed by not-for-profit providers once built and some are rent capped.

**7.3.3 Planning process incentives:** The speeding up of the development assessment process can be an incentive to provide affordable housing. These can also be used with exemptions from development fees and charges. Examples of 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 incentives can be used. The values of these bonuses are shared between the developer and the authority, who receive a contribution towards affordable housing (as either housing, land or a monetary payment).

#### **7.3.4 What are they likely to achieve?**

- Incentives that make lower-cost market housing more profitable will work to increase the supply of these dwellings in the market.
- Incentives that reduce costs for affordable housing developers should increase the proportion of regulated housing and therefore strengthen the capacity of the market.
- Incentives which seek to share the profit created by a specific planning bonus by a contribution requirement will result in a modest amount of dedicated affordable housing.
- Incentives do not require up-front subsidy or investment, maximising existing government investment in affordable housing.
- They can contribute to multiple objectives, for instance if increased density is sought in an area it can be combined with housing objectives.

#### ***Potential limitations:***

- Voluntary planning incentives have been shown to not have as great an impact as mandatory incentives. Combined with mandatory requirements, they can have a larger impact.
- Graduated planning standards must not undermine environmental qualities and should not place the burden on the target group moving into accommodation or future users.
- It can be time-consuming, expensive and legally complex to administer an annual contribution program.

Incentives that make lower-cost market housing more profitable by reducing development standards are likely to have the greatest impact in a high-value market where low-cost housing has limited viability. This mechanism is most effective in market niches. Incentives to share profit created by a specific planning bonus depend on buoyant market activity and high land values.

**Table 5: Potential effectiveness of planning incentives**

<b>Market mechanism</b>	<b>Inner city</b>	<b>Middle ring</b>	<b>Outer ring/growth area</b>	<b>Regional (high growth)</b>	<b>Regional (low growth)</b>
Graduated standards	supports affordable housing in high cost market	affordable housing more viable for private/non-profit sector	affordable housing more viable for private/non-profit sector	affordable housing more viable for private/non-profit sector	if graduated standards reduce land or building costs
Planning bonuses	bonuses, particularly density bonuses in high-cost market	depends on scale of development and value of bonus	supports lower cost housing for rental or home ownership	supports lower cost housing for rental or home ownership	if bonus creates significant value
Planning process incentives	fast track planning gives certainty and savings	fast track planning gives certainty and savings	fast track planning gives certainty and savings	fast track planning gives certainty and savings	Encourages some affordable housing if process fast and likely approval

Source: Gurrán (2008, p.70)

### 7.3.5 How to use this measure

- a) Identify overall goals for specific areas - greater density; more mixed-use; re-development;
- b) Identify the potential levers to encourage this development, with the use of one or more planning incentives including *graduated standards*, *planning bonuses*, or *planning process incentives*;
- c) If using contribution incentives, 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 'bonus' as a contribution for affordable housing as a condition of approval;
- e) Negotiate the value of the incentive on a case by case basis.

## 7.4 Voluntary negotiated agreements

Voluntary negotiated agreements for affordable housing are made between a developer and local planning authority. Even though they're not required for planning approval, a developer may seek to negotiate affordable housing goals for a concession or subsidy. They work like incentives, but on a case by case basis. Large developments generally involve much negotiation and therefore a contribution to affordable housing could fit in this process.

Examples of incentives used:

- Reduction of other infrastructure payments.
- Concessions in other development application fees.
- Pre-purchase commitments (for example, the local government can purchase housing to be managed by a social housing provider).
- Assistance with financing costs.
- Promotional or marketing assistance.
- **Ropes Crossing - Negotiated agreement for public land:** A public park was allowed to be developed, only if approval was contingent on three per cent of residential lots on the site being provided for affordable housing.
- **Byron Shire - Boarding house development:** Local council allowed a 4.2% density concession and a \$6,000 grant in lieu of 50 per cent development contribution fees. The project secured 132 essential worker houses.
- **Randwick Council:** A clause in their Local Environmental Plan supports the use of volunteer agreements to secure one per cent of large redevelopment sites to be transferred to council.

#### 7.4.1 Where are they effective? What can they achieve?

Voluntary negotiated agreements are effective in achieving affordable housing options, as normally affordable housing developers don't have the scale needed to compete for housing on the private market. This barrier can be overcome by securing housing through this way.

The impact of this initiative depends on the size of the project and the amount of affordable housing or financial contribution available in each specific case. One approach which can be effective in lower-value markets is to require a proportion (15 per cent or above) to be available to affordable housing providers at a sub-market price.

#### **Potential limitations:**

- Negotiations can be time-consuming and can delay the planning approval process.
- Lack of certainty for developer profits.
- Requires skilled planning staff.
- There are many developer contributions and other more important contributions may take precedence.

**Table 6: Potential effectiveness of voluntary 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 available	adjusted to local market conditions	adjusted to local market conditions	where rezoning/ concession available	where rezoning variation is valuable

Source: Gurran (2008, p.75)

## 7.4.2 How to use this measure

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

## 7.5 Mandatory inclusionary zoning

Mandatory inclusionary zoning housing policies require developers to contribute to affordable housing as a condition of development approval (Lerman, 2006). They can be site specific, area-based or more broadly applied across a jurisdiction as a fixed rate (Gurran, 2008). They can be negotiated or require a threshold to be met before they apply.

**Threshold approach:** In this approach, a threshold is set as a trigger, with everything above that threshold required to provide affordable housing. This threshold can be: developments over a certain size (for example, 10 units); or for a development over a certain size to offer a percentage of housing for purchase by affordable housing providers at a fixed price (needs to be sold to not-for-profit housing providers who will keep them at an affordable rate long term).

**Negotiated arrangements:** The development assessment process includes a negotiated arrangement, which secures an affordable housing outcome. This arrangement is usually between the developer and council or state government.

Examples of these arrangements include:

- Reservation of infrastructure capacity for affordable housing
- Concessions in fees or charges
- Pre-purchase commitments (such as for social housing)
- Assistance with financing costs
- Promotional or marketing assistance

Mandatory approaches may also include the ability to pay 'cash-in-lieu' which provides for affordable housing from one development outside the specific development area. The use of Mandatory inclusionary housing policy in Australia is limited.

- **Boston Linkage Program - Threshold approach:** The Boston Linkage Program relies on fee extraction from new large-scale developments exceeding 100,000 square feet and requiring zoning relief, including expansion and rehabilitation programs. Linkage requirement can be fulfilled through cash payment or by direct creation of housing or a job-training program. Through the program, more than \$45 million in linkage funds have been allocated for construction of nearly 5,000 housing units since 1986. Charged at \$7.18 for every square foot of gross floor space of Development Impact Project (DIP) uses in excess of 100,000 square feet.



The housing contribution is made over a seven year period for inner city developments and over 12 years for neighbourhood suburban development. The extended payment period means that there is an element of flexibility, to facilitate progress of development in different circumstances. The deferred payments schedule allow developers to pay linkage fees out of operating revenues from the project rather than having an up-front cost, which could be a disincentive for development.

- **City West, NSW - Threshold approach:** In an area which is undergoing intense urban renewal, the main planning for the area requires a contribution of 0.8 per cent of residential development to affordable housing. 1.1 per cent of commercial development must be contributed in the same way. The contribution can be provided on-site, as part of a larger development, or as cash-in-lieu (preferred method), and then pooled with other contributions to provide affordable housing elsewhere in the precinct.
- **Randwick, NSW - Threshold approach:** Randwick local government area (LGA) in NSW has an affordable housing policy which requires master plans over 4,000sqm<sup>2</sup> for redevelopment sites to consider housing density and to contribute to their specific local government Affordable Rental Housing Program. The LGA has retrieved 15 units as part of this scheme (more since the reference document was produced). If they don't contribute any tangible assets, developers can still contribute to the fund monetarily. This has been successful, collecting over \$500,000 to achieve affordable housing goals (Randwick City Council, 2007). This works well when there is competitive bidding for developments, because projects which better meet inclusionary requirements are better positioned to be chosen for tenders (Schuetz, Meltzer, & Been, 2007).
- **Green Square, Sydney - Threshold approach:** Within a detailed environmental plan there's a requirement for affordable housing. Current provisions require that three per cent of floor area intended exclusively for residential must be contributed, and one per cent of everything other than residential.
- **Willoughby Council, NSW - Mandatory negotiated agreement:** Council has a mandatory scheme to collect developer contributions when land is rezoned for residential purposes. Through their environmental plan they require four per cent of floor space to be dedicated to affordable housing. Contributions can be provided on site or as a cash equivalent. Constructed dwellings must be of similar standard, titles are retained by council, and housing is managed by community housing organisations.
- **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 either: existing use value of land (for land contributions); development costs (in the case of sites); or reasonable profit (in case of houses). They also have the option of providing a contribution through cash-in-lieu or provide dwellings, land or housing sites at an alternate location.

### 7.5.1 What can it achieve? Where will it have greatest impact?

The measure will have the greatest impact in a buoyant market. Once established, the affordable housing program can only grow. Mandatory requirements provide protection against market inflation, as they are set at a constant rate. The impact of this contribution scheme will be effective over time, rather than in the initial years of its implementation. Mandatory requirements must not be so excessive as to deter development, and therefore may have to be set at a lower rate if the rate is fixed (Gurran, 2008).

Mandatory approaches offer certainty, and are able to be calculated in advance when land is purchased. They reduce the requirement for excessive negotiation; even if negotiated, a mandatory framework can provide a clearer basis for local governments and developers. Transparency and fairness is high and there is evidence that mandatory requirements are well accepted by developers after implementation (Lerman, 2006). Mandatory housing requirements are also most effective in a high-value market, such as Perth and some regional areas of WA currently, as there is a real shortage of opportunities to increase the supply of affordable housing. Mandatory requirements support other government initiatives, making capital funds go further.

**Table 7: Potential effectiveness of mandatory inclusionary zoning**

Market mechanism	Inner city	Middle ring	Outer ring/ designated growth area	Regional (high growth)	Regional (low growth)
Mandatory contribution, (fixed amount, threshold approach)	as contribution valuable in high-value market	particularly if contribution relates to lower-cost home ownership/purchase by social housing provider	if mandatory contributions are known in advance, can be accommodated in land price and offset by value increase with rezoning	fixed mandatory contributions can be accommodated in land price and offset by value increase with rezoning, but needs to be widespread or developers will look for opportunities not constrained	may deter housing in low growth, low value context
Mandatory contribution (negotiated amount)	as planning leverage and contribution valuable in high value market	negotiation more resource intense but can maximise contribution in relation to opportunities of site	negotiation more resource intense but can maximise contribution in relation to opportunities of site	useful when there are limited other development opportunities	may deter housing in low growth, low value context
Onsite contribution	valuable in high-value market	can provide housing and tenure mix	can provide housing and tenure mix	relevant for master planned estates, a good way to	if site is appropriate for affordable housing and

				achieve housing and tenure mix	can sustain contribution
Offsite/cash contribution in lieu	may be insufficient to access to enable a housing opportunity in a similar location	useful if housing not suitable for affordable sector	useful if housing not suitable for affordable sector	if there are high value sites where capacity is limited and there are well located alternatives	if site is available to sustain a contribution

Source: Gurrán (2008, p. 81)

### 7.5.2 Disadvantages of using mandatory zoning

Mandatory inclusionary policies are likely to require significant policy and political effort in the short term for limited immediate housing creation. In this regard, mandatory inclusionary zoning is not supported by the Department of Housing’s Affordable Housing Strategy: ‘Opening Doors’ (Department of Housing, 2010).

This approach depends on a level of development activity, but this requirement could be seen to deter some development activity, therefore if implemented incorrectly it could mean no affordable housing contribution and a further contraction in supply. At the lowest end of the market, where housing development costs and house prices are lowest, development may be deterred. There is also a perception that the contribution will be passed onto the individual home buyer, although it really depends on the market. In a few different ways mandatory zoning can cause negative political effects, which may explain the lack of use.

### 7.5.3 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 a time of rezoning/change to planning scheme but foreshadow it well in advance.
- d) In 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 be the best option for this incentive.

## 8.0 Assess Current Planning Controls and Policy Commitments

It is essential that the current planning controls which are in operation in Local Governments can foster affordable housing objectives. An Affordable Housing Strategy should clarify the Local Government’s position and intentions with regards to affordable housing, provide direction for ongoing review, regulatory reform and development assessment.

Across Perth, planning frameworks and legislation have worked against housing affordability and diversity, despite the fact that 'housing diversity' (if not affordability) is a stated objective within the Residential Design Codes (Town of Vincent, 2008).

There is ample opportunity within the existing framework to adopt a proactive role with respect to encouraging and facilitating affordable housing diversity. The philosophy and principles of affordability should, ideally, be embedded within planning policy and procedure rather than a stand-alone approach, much in the same way as sustainability is embedded in planning principles and best practice.

## **8.1 Policy commitments**

The following policy commitments are adapted from Greive, (2012). This research, while focusing on only one local government in inner city Perth, can and should be used as a valuable resource in a wider context for all local governments.

1. Expand and consolidate Council's role in leading and coordinating locally appropriate housing reform, particularly with regard to housing affordability. This policy commitment responds to the emerging affordability crisis being experienced in the housing market both regionally and locally.
2. Encourage the retention and production of affordable housing appropriate to the needs of the LGA's current and future population through a broad range of initiatives and reforms.
3. Facilitate mutually beneficial partnership arrangements with local community service providers, agencies and institutions for resourcing, developing, and managing affordable housing within the LGA. This commitment would include, but not be limited to, such activities as:
  - a) Liaison and collaboration with the local network of housing service providers to respond to the emergent housing needs of residents;
  - b) Facilitating the generation and efficient utilisation of community and private sector resources aligned with affordable housing objectives;
  - c) Fostering joint venture housing development projects and managing long term affordability requirements; and
  - d) Engaging with community groups to appropriately locate affordable housing projects.
4. Pursue amendments to the planning framework (State and local), and develop policies to encourage affordable housing and diversity. This commitment would include, but not be limited to, such activities as:
  - a) Amending the scheme to facilitate the Council's expanded affordable housing objectives;
  - b) Amending zoning tables to expand the range of permitted and discretionary housing options;
  - c) Amending definitions within the scheme to include affordable housing and other relevant definitions including the variety of housing options proposed;
  - d) Amending and reviewing local planning policies to support housing diversity;

- e) Creating development incentives and mechanisms to resource affordable housing provision; and
  - f) Collaboratively working with State government planning authorities to create new policies, and reform existing regulatory practices to reflect affordable housing priorities.
5. Foster and facilitate the development of resources dedicated to the provision of affordable housing for LGA residents by such activities as, but not limited to:
- a) Identifying strategic sites and zones to facilitate the provision housing diversity developed by developers and homeowners;
  - b) Identifying underutilised sites that could be developed into affordable housing;
  - c) Developing an inclusionary zoning clause within the affordable housing policy to both generate funds and encourage the direct development of affordable housing;
  - d) Creating incentives including development bonuses to negotiate with private sector developers and community housing providers to facilitate increased levels of affordable housing provision; and
  - e) Ensuring financial accountability, transparency and equity.
6. Encourage the retention and the expansion of the diversity within the LGA's housing stock as a guiding principle to be embedded within Council's existing and future policies and practices. This commitment would include, but not be limited to, such activities as:
- a) Developing senior housing and support initiatives;
  - b) Developing student housing initiatives;
  - c) Developing a retention strategy for lodging housing;
  - d) Reviewing the ancillary housing policy;
  - e) Identifying sites for industry tied housing (hospitals, universities/colleges, etc);
  - f) Developing affordable housing models aligned with public transport nodes;
  - g) Facilitating and monitoring the appropriate provision of special needs housing;
  - h) Facilitating and monitoring the appropriate provision of public housing; and
  - i) Facilitating community education and engagement.

## 9.0 Identify Role of Local Government and Key Stakeholders

An effective affordable housing strategy will need to foster partnerships and create resourcing mechanisms that will enable and facilitate private and community provision. Policy development and finance capacity building are also key factors, along with stable support from Council (Housing and Urban Research Institute of WA, 2008).

Partnerships in respect to affordable housing can involve different combinations of local community associations, private institutions, social service and housing support agencies as well as housing providers. These partnerships can remain as informal cooperative working

arrangements, or be developed more formally through memoranda of understanding and may evolve into contractual relationships to deliver locally defined affordable housing outcomes.

One study, which focuses on Perth, suggests that the most effective and resource efficient way to service the diverse housing needs of residents is to develop working partnerships with the existing network of local service providers and community based organisations (Greive & McKenzie, 2009). Partnerships involve two or more organisations agreeing and delivering a common goal. In a partnership for affordable housing, local government generally uses its leadership and coordination to assist community partners to deliver support services, and to develop, construct, and manage affordable housing.

Partnerships between local governments and community providers haven't been used as extensively or been as successful as possible (Greive & McKenzie, 2009). Due to a lack of information, local governments have treated affordable housing developers similarly to market housing developers, requiring developer contributions, which is not possible given that community providers are not-for-profit organisations.

In saying this, instead of developer contributions, when local governments are negotiating development bonuses and concessions with community housing providers, they are in a position to negotiate with a local entity for affordable housing allocations. In other words, the local government can add to the stock of affordable housing dedicated to the Council's existing residents experiencing housing stress. This is important because addressing housing stress within the local government area can provide many positives; such as maintenance of community ties, reduced household costs (such as added transportation costs due to relocation) and relocation issues.

## **9.1 Advantages of Partnerships**

Some of the following factors are essential components for a partnership between community based organisations and local governments. The advantages of creating a partnership between these stakeholders to provide affordable housing include (Austin 2008, p. 2):

- Access to land or property at a reduced cost - including discounted market price, leasehold, deferred payments and the effect of planning policy;
- Access to finance, such as grants, deferred loans or loans at below market interest rates;
- The incorporation of debt finance based on a net income stream;
- Management expertise: particularly the capacity to manage development risk and ongoing management risk;
- Non-profit, charitable or community trust status of housing organisations: enabling profits to be foregone; accessing finance on more favourable terms; and maximising the tax exempt status;

- A broader range of household incomes for the household group being targeted, including moderate-income households;
- Opportunities for cross-subsidisation within and between developments;
- Good quality design that is highly energy and water efficient to minimise residents' day-to-day costs;
- Local Council support through the planning process and through contributions to the partnership of resources and/or implicit subsidies;
- Increased support from the local community;
- Mechanisms which retain the housing as affordable into the future or in perpetuity.

The community housing sector is also targeted for both Federal and State funding because of the potential efficiency and flexibility it brings to responding to local housing needs (Housing and Urban Research Institute of WA, 2008). Because of their charity status for example, when a community housing provider manages a housing development, there are tax breaks including an exemption from GST, which saves 10% on construction costs. Community housing providers can also service locally defined housing needs, such as the eligible residents of a particular LGA. They can also link with a local community association serving the specific housing need of a particular group, for example; migrant, church or educational facility. They can combine resources (sites and funds) and leverage (to attract) others including private financing, and the housing can be developed and managed to house a range of incomes levels, residents, and housing types.

## 9.2 Examples of successful outcomes from partnerships

- ***Auckland City Council (NZ)*** – City Council allocated \$1 million for affordable housing partnerships. \$1 million p.a. of dedicated revenue could fund borrowings of \$9 million spread over four years. The Council wanted to increase the supply of affordable housing whilst avoiding development and management risks. A private development company was employed to produce developments of 20-40 diverse units, along with the New Zealand Housing Foundation (NZHF) to produce at a smaller scale of 10-20 units. A council owned site was identified for use by the NZHF and around 100 dwellings were created using the \$9 million. An agreement was developed to provide an assisted home-ownership program.
- ***Brisbane Housing Company*** - The Brisbane Housing Company has in recent years worked in partnership with the City of Brisbane to develop affordable housing. Its strength is that it has both a finance arm and a development arm to resource and construct affordable housing, which is then managed by local community housing providers.
- ***Mission in the City (NZ)*** – A partnership between Auckland City Mission, St Matthews in the City, ASB Trust, HNZA and Auckland City Council. A proposal for a 4300 sq metre site to become a mixture of studios for homeless people, one-bedroom flats for HNZA, flats for single-parent tertiary students, and flats for people attending the 'detox' facility adjacent to the flats (Austin, 2008). One third of the \$70 million construction costs will be covered by the underground parking facility (Austin 2008, p.6).

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