University of
Western Sydney

URBAN RESEARCH CENTRE

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MODELS OF SUSTAINABLE AND AFFORDABLE HOUSING FOR LOCAL GOVERNMENT

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Abbreviations

AHURI   Australia Housing and Urban Research Institute

ARCH   Association to Resource Cooperative Housing

BHC   Brisbane Housing Company

CAH   Centre of Affordable Housing

CHL   Community Housing Ltd

CPP   City of Port Philip

LEP   Local Environmental Plan

NRAS   National Rental Affordability Scheme

PPHA   Port Philip Housing Association

SEPP   State Environmental Planning Policy

Authorship statement

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Executive Summary

The gravity of Australia's housing affordability problem has led to its recent acknowledgement as a matter for urgent federal attention. The newly appointed Housing Minister of the incoming Labor Government has noted that housing affordability, defined as a ratio of income to housing costs, is currently at an all time low (Plibersek 2008). Figures cited by the Minister for the last quarter of 2007 show that the average home, costing four times the average wage in 1996, now costs seven times the average wage. By international comparison, Australia's housing affordability is ranked one of the lowest in the world. The 2006 Census demonstrated an increasing picture of housing stress for Parramatta households.

Whilst Local Governments in NSW have been involved in the provision of affordable housing (see for example, Waverley, Randwick, Willoughby), many Local Governments have been concerned that housing is a Federal and/or State Government issue. What is beginning to emerge in Australia is a partnership approach to the provision of affordable housing supply. The most recent example of this approach is the National Rental Assistance Scheme – under this scheme an annual subsidy of 6,000 from the Federal Government and 2,000 from the State Government to provide affordable rental housing. The NSW Government has an Affordable Housing Innovation Fund which provides equity funds for partnerships (including Local Government) who are increasing the supply of affordable housing. The national Government is also sponsoring a $500 million, Housing Affordability Fund.

There are a number of major examples of successful intervention by Local Government in local housing markets. These are reviewed in detail in Chapter 3. The most significant example is Port Philip Council in Victoria, who have sponsored the supply of an additional 530 affordable dwelling in Port Philip over a twenty year period. They have combined the commitment of a modest amount of capital, an activist housing officer, a strong partnership model and a community committed to the retention of affordable housing in a gentrifying area, with State Government funds to generate a substantial portfolio of stock which is managed by a local housing association. They have adopted an opportunistic approach to their supply strategy. Chapter 5 examines some particular local government affordable housing case studies, including a recent development in Port Philip. The Willoughby case study might have the most lessons for Parramatta.

A key feature of this project is the combination of affordable and sustainable housing. This issue is examined in detail in Chapter 4. Despite the popular perception that sustainability is expensive,

recent evidence suggests that many of those cost penalties have reduced. Developing a sustainable development will significantly reduce the on-going costs for residents. In addition, the option of using a co-operative strategy will also generate considerable sustainability benefits (see below).

Selection of a strategy of affordable housing intervention for Parramatta needs to take account of the overarching policy mix in Council, the competition for development opportunities across a given area and the potential for an intervention to be driven and adopted by the community over the long term. Is the proposed intervention strategy in the interest of the community and will it continue to find champions?

The record shows Parramatta City has a well-established and consistent orientation to affordable housing, having commissioned a number of reports on affordable housing in recent years (Hill PDA 2001; Hall and Associates 2003) and produced a Draft Affordable Housing Strategy in 2003. It has maintained a presence in the Affordable Housing Network, convened by Shelter NSW. It resumed its work in this area in 2007 through its involvement in this project and through the co-presentation with Marrickville Council of the symposium *Living Cooperatively: Affordable and Sustainable Housing* in February 2008. The consistency of the Council's interest in the issue indicates a significant depth of concern about housing affordability in the community, upon which a sustainable program of significant intensity can rely on for long-term support.

Validation for an intensive strategy of occasional intensive intervention for Parramatta may be found in the 'key worker' case for providing affordable housing to selected elements of the workforce. The provision of affordable housing for the exclusive accommodation of identified key workers has been encouraged by consent authorities (such as Canada Bay Council) to draw back service workers displaced from sub-regional labour markets by high housing costs. It may equally be used to attract specifically desired elements of the labour force, such as artists are for Parramatta. An affordable housing program targeting arts workers would inevitably also satisfy redistributional goals of affordable housing, as arts workers typically have very low incomes (Throsby and Hollister, 2003) and sustain their artistic activity through a precarious economic balance between production costs and living expenses and income from artist activity, normally supplemented by part-time work. The existing provision of a bedroom studio unit for an artist in residence within Parramatta Council's Community Art Facility and Artists Studios shows the link between arts and housing policy is already being addressed incidentally by the Council.

Parramatta City has a strongly stated strategic interest in developing culture as a leading element in its consolidation as a secondary metropolitan hub of greater Sydney. This goal would be complemented by a housing intervention targeting cultural workers as key workers in the desired emerging economy of cultural production. Such an approach would be consistent with redistributional goals of affordable housing provision, as artists' incomes are known to typically be very low. Attraction of a significant body of artists into a body of housing may open additional opportunities for the housing project to develop innovative features such as community spaces and serve as a hub of communication and activity within the local community. Further and more importantly, this would create a model of affordable housing and onsite community enterprise which could then be replicated in the area.

Parramatta's recent interest in the development of cooperative housing may support a further particularisation of its affordable housing provision rationale. There is potential to design a housing project to build on alternate methods of tenancy management. Cooperative tenancy management has a demonstrated capacity to enhance community well-being and connectedness. A housing project established by Council may also play a role in exploring the development of means to transfer or share part of the equity of a project to a tenant cooperative. Such a process would have extensive implications for the development of housing ownership and control by households of limited means.

In order to test then potential for Parramatta to begin its intervention by assisting with the direct supply of affordable housing, a review of potential sites was undertaken in Chapter 6. A site in Granville was selected as the most appropriate site.

This investigation consisted of obtaining concept plans from an architect for a sustainable affordable housing development, featuring an innovative scheme that involved the integration of affordability and sustainability.

These plans were then costed and a feasibility analysis undertaken under two different scenarios:

1. A co-op model which involves the maximum amount of communal space which yield 30 dwellings;

2. A maximum yield model where the communal space is reduced and the yield increased to 37 dwellings.

The feasibility model assumed that:

☐ The development had access to the subsidies available from the National Rental Affordability Scheme;

☐ was managed by a not-for-profit who injected equity into the project;

☐ 12 of the largest dwellings were sold to help fund the project;

☐ The balance of the project was funded by debt finance;

☐ In the maximum yield model, Council retains ownership of 7 2 bedroom units to compensate for its land contribution. In the other scenario council could retain ownership of the communal spaces.

The financial modelling shows that using standard assumptions about recurrent costs, it is feasible for not-for-profit to service a loan to complete the development under both scenarios.
This feasibility study shows that it is possible to achieve a development at no cost to council – council gets the land value back in dwellings in partnership.

Whilst only a small project, the project could have an important demonstration effect. Given the national policy settings which can assist the development of affordable rental housing, other projects could be developed on the basis of the Granville project, without further direct involvement of Parramatta Council. The Council could then direct their affordable housing efforts in a variety of other directions providing a broad spectrum of responses. The project has a number of other advantages including:

☐ the ability to attract subsidies from the Federal and State Government;

☐ to complement the cultural policies of council;

☐ to provide a showcase for sustainable development in Parramatta.

1. Introduction

This report summarises recent research undertaken by the Urban Research Centre at the University of Western Sydney, in collaboration with Parramatta Council, to investigate the provision of sustainable and affordable housing in Parramatta.

The aims of the research are to:

1. Review the role of local government in affordable housing provision in Australia;

2. Investigate the feasibility of Parramatta City council becoming involved in an affordable housing project.

The study drew on numerous sources. Existing affordable housing projects were explored through interviews with key personnel and publicly available documents such as business plans, financial records and annual reports. A considerable body of such information was gathered and assembled by Milligan et al (2004) and provided an invaluable empirical starting point for this project. The project initially aimed to comprehensively update the work of Milligan et al; however, this was not done as this task was being undertaken by AHURI. Milligan et al (2004) created a typology of programs which was used for this project and helped narrow the foci of investigation to particular program types. This led to the identification of three case studies most relevant to the needs of Parramatta City.

Drawing on Australian literature, the project sought to be consistent with the 'realistic evaluation' framework proposed by Milligan et al (2007) to guide the approach to the evaluation of affordable housing initiatives. That framework emphasises the importance of the relationships of context and process to the assessment of affordable housing intervention outcomes. The approach to the integration of values of sustainability and affordability was heavily influenced by Nicole Gurran's (2002) work in this area.

The particular circumstances and requirements of Parramatta City Council, its recent history of commitment to the development of affordable housing policy development and the outcome of those efforts were considered at length and in close liaison with the Council. Copies of previous reports commissioned by Council were made available to the research team (Hill PDA, 2001; Hall

and JBA Urban Planning, 2003). Meetings between the project partners exploring matters of concern to Parramatta were recorded and project progress reports provided to the Council at regular intervals for comment. The results of this work were used to identify interventions of greatest relevance to Parramatta for case study.

Three case studies were selected for closer examination and discussion. Critical questions regarding issues, constraints and opportunities for the selected case studies were explored through interviews with key personnel. This generated conclusions regarding the best opportunities available to Parramatta City regarding model selection and best practice operating principles.

A detailed financial feasibility analysis was provided for the development of an affordable housing project on a parcel of land currently owned by Parramatta Council and available for development. The analysis was based on the requirement that Parramatta's contribution be made on the principle of no cost to council and limited to the contribution of the land. This contribution would be made in exchange for title to a fixed number of units and the development of the site would be undertaken by a not-for-profit housing provider utilising the benefits of the federal National Rental Affordability Scheme, federal Housing Affordability Fund or NSW Centre for Affordable Housing debt equity funding.

2. Policy context

What is Affordable Housing?

Affordable housing is generally considered to be housing which meets the needs of households whose incomes are not sufficient to allow them to access appropriate housing in the market without assistance. Australian Ministers of Housing, Planning and Local Government have agreed to adopt the following definition of affordable housing to support state and local governments to plan for and monitor the supply of affordable housing:

> Affordable housing is housing that is appropriate for the needs of a range of low to moderate income households and priced so that low and moderate incomes are able to meet their other essential basic living costs[1].
>
> Policy Research Working Group (2006 in Milligan et al 2007, p26)

Affordable housing may refer, in this case, to all housing for which the cost to the tenant is not regulated strictly by the market, but which is made cheaper through some form of government intervention. However, the term has also gained a more specific meaning arising in response to the shrinking role of public housing and associated tightening of the targeting of public housing to those households with high, very acute and/or complex needs. Research on housing affordability has established the existence of an extensive need for social housing in addition to that met through the provision of public housing. The term 'affordable housing', is therefore at once a critique of the limitations the current capacity of public housing provision, and a reference to the methods to redress those limitations through the creation of housing in which government's role is supplemented by the input of a variety of organisations and institutions other than state or federal governments. In this latter sense the term has also come to be defined in planning legislation to support related policy responses (see below). At a conceptual level then, 'affordable housing' is a term denoting firstly the shortfall in social housing and, secondly, naming a state process by which

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[1] PRWG (2006 in Milligan et al 2007, p26) state: "Housing is appropriate for a household if it:
- Is appropriate for that household in terms of size, quality, accessibility and location;
- Is integrated within a reasonably diverse local community
- Does not incur unreasonable costs relating to maintenance, utilities and transport; (and)
- Provides security of tenure and cost for a reasonable period.

"Low to moderate income includes those households which have incomes below 120% of the gross median income of all households."

the responsibility to meet that shortfall is postulated as belonging, in some measure, to the private sphere.

Australia's housing affordability problem

The gravity of Australia's housing affordability problem has led to its recent acknowledgement as a matter for urgent federal attention. The newly appointed Housing Minister of the incoming Labor Government has noted that housing affordability, defined as a ratio of income to housing costs, is currently at an all time low (Plibersek 2008). Figures cited by the Minister for the last quarter of 2007 show that the average home, costing four times the average wage in 1996, now costs seven times the average wage. By international comparison, Australia's housing affordability is ranked one of the lowest in the world. Underpinning the current recognition of the problem has been the development of an extensive body of national research on the subject, coordinated by the Australian Housing and Urban Research Institute (AHURI). The final report of the AHURI National Research Venture No. 3, *Housing Affordability for Lower Income Australians* summarises three years of research which establishes and quantifies the rising cost of accommodation borne by households and the impact of high housing costs on lower income households and the community as a whole (Milligan and Yates 2007).

The core concept used by this research project to measure housing affordability is 'housing stress'. Housing stress is a tenure-neutral concept defined by the '30/40 rule': a household in the bottom 40 per cent of the income distribution (adjusted for household size) is said to be experiencing household stress when its housing costs are more than 30 per cent of the household's total income. Housing stress is regarded as a conservative indicator of the prevalence of housing stress for a number of reasons (Gabriel et al 2005; Yates and Gabriel 2006). The application of this measure to the analysis of the affordability of Australia's housing has nevertheless allowed some powerful conclusions to be made about the groups who can be said to be experiencing housing stress.

The impact of housing stress to households and communities is identified in the research through the concept of 'housing affordability problems'. Housing affordability problems arise when households are forced into decisions that adversely affect them and that they would not have made if not in housing stress. Examples are various forms of deprivation, such as when household members go without meals, children miss out on school activities or households are forced to relocate as a result of financial stress. Approximately one in four households experiencing housing stress are likely

to experience a housing affordability problem and know housing affordability crisis in an immediate, personal sense.

In 2002-03 approximately 860,000 lower income households (28 per cent) of all lower income households were in housing stress. Many moderate income households (over 150,000) were also found to be at risk. The incidence for lower income households which are purchasing a home is 49 per cent and 65 per cent for lower income households which are renting. The position of low income households and renters has deteriorated from that of the mid-1990s (Yates 2007). Though the average incidence of housing stress across all households has remained relatively constant from that period, housing stress is now more likely to be encountered by low income households, with this increased incidence being offset by a decrease in the incidence of housing stress for high income households. The distribution of housing stress has become increasingly polarised by household income over this period.

The 2006 Census also shows a pattern of increasing housing stress in Parramatta. For example:

- 91% of very low income households are in housing stress in Parramatta compared to 93% in the Sydney Statistical Division;

- 53% of low income households are in housing stress in Parramatta compared to 61% in the Sydney Statistical Division;

- 44% of moderate income households are in home purchase stress compared to 42% in the Sydney Statistical Division[2];

The AHURI National Research Venture identifies a structural basis to the decline in housing affordability encountered by lower income households. Demand for housing is being driven by growth in the numbers of households, a rise in wealth, tax concessions to landlords, availability of finance and other factors. Supply costs are rising due to rising construction costs, land availability and planning and infrastructure charges. These types of structural conditions are expected to be sustained, intensifying the prevalence of households encountering housing affordability problems, while the capacity of social housing is expected, at current levels of funding, to decline in terms of both quantity and quality (Berry and Hall 2007). On current policy settings, the occurrence of

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[2] Very low income is below 50% of the Census Median equiavalised income, Low income is 50-80% and Moderate Income is 80-120%.

housing affordability problems is set to worsen and become more acute for the most disadvantaged sectors of the community. By 2045, the incidence of stress is projected to have increased for all of these households: by four percentage points for all lower-income households and by as much as 13 percentage points for private renters and ten percentage points for sole parents. The total number of households in housing stress is forecast to rise by half a million to well over 1.5 million households (Yates et al 2007).

Implications of the problem

The scale of Australia's housing affordability problem has implications well beyond those immediately confronted by housing stress. It poses risks to the nation's macroeconomic stability, the operation of labour markets, the equitable distribution of resources/opportunity and environmental sustainability. In respect to the macroeconomy, high debt burdens of purchasing households and high house prices can contribute destabilising market pressures which act to increase market volatility (Berry 2006a). High house price may also contribute to inflationary pressures. In relation to the labour market, a lack of affordable housing may affect the efficiency with which labour markets operate at both a national and regional level, and particularly in the large metropolitan areas in Australia (Berry 2006b). In respect to distribution, the equitable distribution of housing is important as an amenity in its own right and as 'a complex good': housing is a critical component mediating the locational and intergenerational distribution of opportunity in our society. Many social and economic costs may arise due to an inequitable distribution of housing resources. Some of the coping strategies employed (such as frequent moves) by households in stress can contribute to a lack of social cohesion (Burke et al 2007), affecting health, education and safety outcomes. Intergenerational equity is compromised by the increasing disparities between those who gain access to home ownership and those who do not (Yates et al 2007). Processes of gentrification have pushed much affordable housing to the fringe in urban areas, contributing to spatial polarisation. In addition to the constraints imposed on the regional operation of the labour market, the increased commuting arising represents both an environmental cost in terms of green house emissions and an intensification of work due to increased travel times, with important implications for family and community well-being.

The national policy response

Wide recognition of the housing affordability problem is a recent phenomenon. A well articulated centralised policy response to the provision of affordable housing has, however, yet to be fully developed and adopted by the Australian Government. Policy has been developed in an *ad hoc* fashion by state governments, the housing departments of which have been severely limited by a shrinking housing budget[3], coupled with economic demands flowing from the intensified needs of their more tightly targeted client group (Berry and Hall 2007). In this context governments have sought to develop affordable housing through various forms of joint ventures, using the tax advantages presented to not-for-profit housing providers and the planning perspective of community organisations to get the greatest value in terms of housing outcomes. The total volume of affordable housing produced through such methods has been small, some 1,200 units up to 2004. The variation in circumstances and policy frameworks in which this general approach has been applied has nevertheless led to the creation of a significant range of intervention types from which experience can be drawn.

In some cases, such as those of City West Housing (CWH) or the Brisbane Housing Company (BHC), large bodies of capital have been directly advanced by the state to create specialist not-for-profit housing providers. These entities were created through special legislation, function as semi-autonomous corporations and enjoy benefits of economies of scale. In other examples, housing providers have evolved organically and survived through their capacity to adapt to changing policy circumstances. These latter providers are regarded to be well connected to communities they serve. Policy in Victoria and NSW has favoured the use of these latter types of organisations and is developing various methods to help expand their role.

The initiative to develop a national policy framework began in earnest through the 2003/4-2007/08 Commonwealth State Housing Agreement (CHSA). The Agreement included an undertaking by Australian Governments to "promote a national, strategic, integrated and long term vision for affordable housing in Australia through a comprehensive approach by all levels of government" (CoA 2003 cited in Milligan et al 2007, p30). This goal was expressed in the release of a Framework for National Action on Affordable Housing (the Framework), adopted by Australian Housing, Planning and Local Government Ministers in August 2005. This document seeks to direct and guide

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[3] Real expenditure on public housing through the Commonwealth State Housing Agreement declined by 30 per cent in real terms over the period 1995-06 to 2005-06 (Hall and Berry 2007). Dodson (2006) notes that total housing related expenditure has increased over the period due to the use of Commonwealth Rental Subsidy.

the expansion of affordable housing provision through an integrated suite of interventions coordinated across all levels of government. The major focus of the Framework was the strengthening of the role of affordable housing provision by private and not-for-profit entities. Scheduled initiatives of the Framework included:

1. the establishment of a National Sector Development Plan for Not-for-Profit Housing Providers;

2. the creation of a national approach to the mapping of affordable housing needs;

3. a review of subsidies to encourage private sector and not-for-profit providers and to leverage capital to that emerging sector; and,

4. identify further mechanisms to encourage increased affordable home ownership and rental opportunities for low-moderate income households.

The Framework sought to guide practical responses but did not try to fill the vacuum created by the absence of a national affordable housing strategy. The United Nations Special Rapporteur was able to comment in 2006:

> Australia lacks a clear consistent, long-term and holistic housing strategy. There is no national legislative and policy framework against which the outcomes of government programmes and strategies can be evaluated to assess to what extent Governments are progressively realizing the human right to adequate housing for all. Current indicators from diverse sources show regressive results: reductions in public housing stock, soaring private rental rates, an acknowledged housing affordability crisis and no real reduction in the number of homeless.
>
> (Kothari 2006, p2)

The lack of national leadership on affordable housing matters led Lawson and Milligan (2008, p1) to conclude "Australian policy settings have been largely unresponsive to housing challenges, such as trends to declining affordability and greater polarization of housing markets". This lack of leadership has had a determining impact of the development of policy at the state level, which is discussed below in relation to the situation of New South Wales.

The election of a new Federal administration in November 2007 has precipitated a considerable change in the policy environment. The two most significant new features of the national policy environment as outlined below.

National Rental Affordability Scheme

The major federal government initiative addressing supply side issues is the National Rental Affordability Scheme (the Scheme), at a cost of $623 million over four years, to increase the supply of affordable rental dwellings by 50,000. If demand for rental properties is still strong, a further 50,000 properties will be built from 2012 onwards. This new scheme will offer investors incentives to build new affordable dwellings for rent at 25 per cent below market rents. The Federal Government's incentive will be $6,000 per dwelling per year as a refundable tax offset or payment for ten years. State and Territory Governments have also committed to supporting the Scheme by providing an incentive for ten years to investors of at least $2,000 per dwelling per year in direct or in kind financial support (Australian Government 2008.)

The Government will call for expressions of interest in late July. It is expected that schemes will require at least 80 dwellings in a 'bundle' to be considered for funding. The scheme is also likely to have a preference for private non-profit management of the housing stock.

The Housing Affordability Fund

The newly created National Housing Affordability Fund will allocate $512 million over five years to address two supply-side barriers to housing development identified in the context of growth areas, either greenfield (new subdivisions) or infill developments (Commonwealth of Australia 2008). The Fund will be used to:

- □ encourage projects which can be shown to hold down costs through planning delays and development assessment processes;

- □ meet selected infrastructure costs, such as open space, community facilities, roads and services.

The Fund establishes mechanisms to ensure the savings made by developers due to the effects of the contributions of the Fund are passed to the home purchasers. Contributions of the Fund will be limited in scale to approximately $10,000 per dwelling.

The 2008 consultation paper on the Fund emphasised the opportunities it will provide to first home owners: "The Fund will give priority to proposals that improve the supply of new affordable housing…that help first time buyers enter the market" (Commonwealth of Australia 2008, p4). This homebuyer need not always be an individual household however as "it is proposed that the Fund allow for applications which support the development of new dwellings intended to be let immediately as affordable rental properties" (Commonwealth of Australia 2008, p21). The draft criteria of the Housing Affordability Fund therefore present a number of opportunities through which local government may expand its involvement in the provision of affordable rental housing in partnership with not-for-profit housing providers.

The Fund has three mandatory criteria for access:

1. The proposal must comply with state, territory and local government strategic planning objectives and policies. This may include affordability targets and sequencing priorities;

2. Be able to fund future liabilities arising from the initial funding without assistance from the Commonwealth;

3. Provide details of consortia and partnerships.

Successful applications to the Fund will be assessed on a competitive basis in relation to further criteria.

New South Wales Affordable Housing Policy

The NSW State Government supports the growth of affordable housing in principle through inclusion in the State Plan as Priority E6: Affordable Housing (NSW Government 2006, p126). The Plan identifies the current State expenditure addressing affordability through:

□ improved access to home ownership through the First Home Owners Grant and $402 million First Home Plus initiative;

□ the direct provision of subsidised housing for the most vulnerable households through the provision of public housing by Housing NSW;

□ interventions to encourage the supply of new housing, including efforts to ensure the provision of 55,000 zoned and serviced lots available for the construction of new housing (NSW Government 2006).

The Plan also acknowledges the determining effects of national government policy on housing affordability:

> The State Government does not control the main levers that affect housing affordability – interest rates, tax laws, funding for public housing construction, rent assistance and migration are all controlled by the Commonwealth while local government controls many elements of the planning system
>
> (NSW Government 2006, p126).

Other elements of State policy in respect to affordable housing are developed with a view to cost limitation. The State Plan's reference to its interest in the expansion of the community housing sector to address a rising demand for affordable housing is made in this context. This form of housing is intended "to rely principally on long term private investment" according to the Plan.

Centre for Affordable Housing debt equity model

NSW State initiatives to expand the community housing sector provide the context in which direct local government involvement in the provision of affordable housing has been most likely to occur. A considerable expansion of the community housing sector, from 13,000 to 30,000 units over a ten year period, was announced in March 2007, identified as Stage Two of the NSW affordable housing strategy. A large portion of the expansion is being enabled by the transfer of stock held by Housing NSW. Additional growth will be encouraged through direct grants to community housing providers ($70 million) to purchase housing stock and the establishment of the Centre for Affordable Housing's Affordable Housing Fund ($48.5 million over three years). The Affordable Housing Fund

seeks to encourage partnerships between community housing providers and other entities such as local government through a debt equity model:

> Housing NSW has developed the debt equity model as a way of attracting new resources to affordable housing projects. Under the model, the Iemma Government provides up to 60 per cent of a project's costs and a registered community housing provider provides the remaining funds through a combination of debt, its own funds and contributions from partners, such as local government. The community housing provider then owns the properties and manages them as affordable rental housing. Debt equity projects are structured so that rent revenue is sufficient to cover all ongoing costs, including debt servicing, maintenance and management costs.
>
> (Housing NSW 2007, p6)

The Affordable Housing Fund was intended for distribution to 2010. The two final distributions by the Fund are scheduled to be made in June 2008 ($10 million) and June 2009 ($12 million), with allocation being made by competitive tender. The advanced scheduling of tender rounds for the Fund from November 2007 has provided certainty for applicants lacking in the first round, for which only three months notice was provided. This has allowed tendering organisations to synchronise project proposals with tender rounds. Whether the recent regularity of tendering rounds means the Affordable Housing Fund is to be sustained on a longer term basis is unclear at this point in time.

Planning controls for affordable housing

While local government holds responsibility for the regulation of the built environment through the creation and administration of planning controls, the maintenance of the legal framework underpinning these controls is the responsibility of the state government. This framework has been subject to contradictory policy directions, initially favouring inclusionary zoning policies, mandating compulsory contributions by property developers for affordable housing, and latterly retreating from that aim. Certain planning controls enabled by State legislation have allowed councils to impose conditions of consent on new development for mandatory contributions for the provision of affordable housing. Five councils—Sydney, Willoughby, Randwick, Waverley and North Sydney—developed affordable housing schemes which relied in part on inclusionary zoning provisions,

providing a stream of finance leading to the provision of a significant body of affordable housing (the largest of which was City West Housing's Ultimo-Pyrmont and Green Square projects).

The Environmental Planning and Assessment (Affordable Housing) Act of 2000 amended legislation to allow for the creation of provisions for councils to levy inclusionary zoning contributions. A legal challenge on the validity the use of s94 contributions for affordable housing in 2000 (Johnston 2006) appears to have weakened State Government enthusiasm for the use of inclusionary zoning across the board, precipitating a somewhat ungainly legislative retreat and subsequent policy disarray. The State Environment Planning Policy 70 of 2002 (SEPP 70) inserted provisions into the Environmental Protection Act to compensate for the expiry of the EPA (Affordable Housing) Act 2000, which had a limited currency. SEPP 70 only provided for inclusionary zoning in respect to Sydney (Regional Environmental Plan no. 26 - City West), Willoughby (LEP 1995) and Green Square (South Sydney LEP 1998). Randwick, Waverley and North Sydney held inclusionary zoning provisions in Development Control Plans but lost capacity to extend them beyond specific localities or to continue to collect s94 contributions for affordable housing. Councils can, in theory, submit new proposals for inclusionary zoning in LEPs. Such conditions can be made under s94F(1)-(4) of the Environmental and Protection Act 1979 but are only available to councils with an 'inclusionary' zoning provision relevant to the locality in the Local Environmental Plan (LEP). The LEP requires authorisation through a State Environmental Planning Policy (SEPP). Parramatta City Council has itself put forward an Affordable Housing Strategy as a draft amendment to its LEP in late 2003. Its acceptance has been prevented by the lack of a supporting SEPP, a legislative requirement (EPA s94F(1) and s94F(3-a)). The State Government is currently reviewing SEPP 70 and SEPP 10 and examining ways to 'standardise contributions to affordable housing' for all councils[4].

Developer agreements

Councils' responsibility for the administration of regional and local planning regimes provides a number of opportunities to negotiate for the provision of affordable housing. State Government legislation and policy has explicitly encouraged local government to engage in the provision of affordable housing through planning agreements on a project by project basis. The Environmental Protection Amendment (Developer Contributions) Act 2005 regulated for local government to negotiate voluntary contributions, the non-application of s94 conditions and established working principles on which such negotiations would be based. This direction has been further encouraged

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[4] Minister of Planning to Verity Firth, MLA, 20/5/08

through advice provided to local government via the Local Government Toolkit (Centre of Affordable Housing 2008) and support services.

A number of NSW councils have managed the provision of affordable housing through agreements with developers. Some Councils use concrete incentives specified in their plans. For example, Waverley Council uses a Development Control Plan to describe a density bonus scheme. This scheme enables density controls (floor to space ratios) to be relaxed for projects providing affordable housing, creating a surplus profit for the development by 'up-zoning' the site in question. The surplus profit is effectively shared between the developer and the Council. The project has provided approximately 30 affordable rental housing units, managed for the council by a community housing association.

Randwick Council amended its LEP in August 2005 to require master plans for sites larger than 4,000 square meters to address 'provision of housing mix and tenure choice, including affordable housing'. Randwick, having lost income from s94 contributions after the introduction of SEPP 10, produced a sub-regional housing plan coordinating its negotiations in respect to large sites. The target contribution of one per cent of total housing as affordable housing, has been realised for the Pacific Square and Prince Henry Hospital redevelopment, yielding 13 units of affordable housing.

Negotiation without pre-specified incentives – Planning Agreements

Councils may negotiate for affordable housing in relation to individual development proposals on a one to one basis under s93F of the Environmental Planning and Assessment Act 1979. Waverley Council's development of its DCP was preceded by several individual agreements designed to provide for affordable housing displaced by the development. These agreements were brokered individually on a site by site basis, and in relation to the Council's desire to maintain the availability of affordable housing. Blacktown Council traded smaller lot sizes, reduced set-backs and design controls to encourage Landcom's development at Parklea to provide 20 per cent of the housing created at a price affordable to moderate income earners ($35,000 to $55,000 in 2002-03). This agreement was formalised through the creation of a site-specific DCP, after negotiations had concluded (Johnston 2006). Canada Bay negotiated the dedication of 15 units of affordable housing after it granted a density bonus for a development at North Strathfield.

Summary of NSW policy environment

The NSW State Government maintains a substantial role in the provision of public housing and an expanding role in relation to the provision of social housing through its commitment to growth of the community housing sector. The domain of intervention in affordable housing presented to local government by State planning laws is, however, currently severely limited and its future hard to predict.

A number of contradictory movements in State planning policy can be identified. On one hand is a requirement for councils to standardise planning terminologies and frameworks, exemplified by the 'Standard Template' upon which new LEPs are required to be based. This direction aims to eliminate duplication of terms, facilitate comparisons between council jurisdictions and encourage greater evenness across the field of opportunities open to investment[5]. The requirement for consistency has not been reflected in affordable housing policy however. Recommended best practice planning for affordable housing proposes a coordinated approach across levels of government, implying a strong role for legislation at state level. The promise of a policy to coordinate council planning for affordable housing, arising firstly in legislation of 2000, has yet to be met. Provisions of SEPP 70 have embedded differences in the opportunities councils have to encourage affordable housing. Attempts by councils to help generalise the inclusionary zoning approach of SEPP 70 have failed. In late 2007 the Department of Planning advised Waverley Council to remove affordable housing provisions from its submitted draft LEP and that a state policy on affordable housing was in currently in preparation. The regulatory instruments allowing councils to follow best practice recommendations have therefore yet to be put in place[6].

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[5] Craig Knowles address to NSW Legislative Assembly, 27 May 2005
[6] Replies to questions by NSW Minister of Planning, Hansard, NSW Legislative Council, 27 Feb 2008

3. The role of local government

Local government and affordable housing

Australia's local government bodies perform a vital role in the delivery of a well-planned built environment and a robust, sustainable and equitable social infrastructure. Local Government's dual responsibility for the planning of the built and social environment has made it a natural partner in the search for means to address the community's right to adequate, safe and secure housing. The Australian Local Government Association has over recent decades been actively involved in research and policy development around affordable housing issues, commissioning research to develop a national local government housing policy (BBC 1995 in Gurran 2002). The Association was one of five peak organisations hosting the first National Summit on Housing Affordability in Canberra in 2004. That Summit acknowledged the unique potentials for local governments to help increase the stock of affordable housing and served to encourage local government bodies to add to the already significant level of involvement in the provision of housing by local government. The policy direction of the 2004 Summit has been supplement through subsequent National Forums on Housing Affordability, at which local government has been well represented.

Previous research has, however, shown that any local government entity considering intervention on housing affordability does so within specific limitations and concerns (Gurran 2002). The 'worm's eye' view of local government has both its benefits and drawbacks. A council's intimate relationship with its community base—a resource guiding and informing its actions—can turn around to bite it, exposing it to political volatilities that highjack sound policy implementation. Furthermore, local government's high profile in the community as a regulatory authority creates additional unique policy constraints: the high visibility of local government with the community serves to inflate public perceptions of legal and economic power (Local Government and Shires Association of NSW 2006). The result is a comparable inflation of community expectations for service provision, against which any intervention initiated through long-term social planning objectives, such as a project for affordable housing, must compete. Local governments pursuing holistic planning principles consequently have a special imperative to minimise exposure to economic and political risk, including those associated with new spheres of intervention.

The chronic shrinkage in Commonwealth money for the provision of social housing through State housing authorities has increased pressure on local government to take a roll in the provision of affordable housing. Such pressure has been heightened by the shortage of affordable housing, widely publicised in the approach to the 2007 federal election and given a priority response by the incoming Labor administration. Councils are, however, aware of the dangers of taking on roles abrogated by federal or state governments, and of the budget limitations preventing their involvement in new forms of service provision. Applicable models of affordable and sustainable housing for local government will therefore be those that grant the institutional sustainability of the local body involved—in terms of economic and political viability—first priority.

Local government and not-for-profit housing providers

Dedicated not-for-profit affordable housing providers can, by virtue of their status, access significant tax concessions which extend their capacity to provide affordable housing. Being founded for the sole purposes of providing and/or administering affordable and community housing, these specialist organisations have accumulated significant capacity to tailor projects to provide the economic certainty local governments require. Affordable housing projects initiated through local government investment most commonly involve a partnership with a not-for-profit provider. Such partnerships have proved able to adapt to the specific scale of investment and the intensity of involvement in planning and management chosen by the local government in question.

Scope of practical interventions

A small quantity of affordable housing has been successfully provided in Australia with assistance of a number of local governments, through contributions of equity (usually in the form of land) to joint ventures in various partnership arrangements with not for profit housing providers, state and federal governments and community organisations. The scope and scale of local government's capacity to directly intervene in the provision of affordable housing has proved largely dependent on the level of commitment given to the provision of housing by central government. The greatest volume of affordable housing delivered with assistance of a single Australian local body, Brisbane City Council, was initiated through a $50 million grant from the Queensland State Government. Victoria's Social Housing Innovations Project stimulated the provision of over 800 units through the funding of

innovative housing models stimulating the participation of equity joint venture partners such as local government, charitable organisations and not-for-profit organisations.

Investment in a specific affordable housing project directs a large and *intensive* proportion of resources to a project which brings most immediate benefit to those housed by the project. Such economic intensive investment is the exception to the typically *extensive* forms of provision undertaken by local government in service and regulation roles, which aim to provide for the population and environment as a whole. Any costs arising from investment in specific housing projects therefore carry a potential economic risk and unique political cost. Councils committing resources and equity to affordable housing provision seek to minimise this risk, most commonly through the transfer of all or a portion of this risk to the not-for-profit provider. Most councils involved in housing provision in some way have further limited such risk by severely restricting the scale of their involvement. The few councils that have played an ongoing role in affordable housing provision, namely Brisbane City and City of Port Phillip, have developed purpose specific not-for-profit regionally-oriented institutions which similarly absorb the risk and reduce the council's exposure. An overview and examples of the range of possible interventions in provided in .

A direct housing intervention therefore represents an intensive strategy within the range of options open to local government, usually intended to complement a variety of more extensive interventions such as those made through building regulation, social planning goals, research and policy advocacy. Council service provision and policy may also enhance disadvantaged groups' capacities to meet housing costs indirectly, by addressing needs other than housing needs (eg., employment, literacy, population health measures).

Extensive/low risk								Intensive/high risk
Social redistribution programs enhancing capacity to afford	Regulating	Planning	Development of draft housing strategy	Advocacy/ research for policy/legislative change	Dedication of existing land holdings/capital for affordable housing	Leadership in project initiation	Creation of new institutions	Developing and administrating housing stock
Maintaining community capacity to afford		**Promotion of AH provision by private sector**			**Direct intervention in housing policy/provision**			
Enabling greater economic capacity of stressed minorities	Preserving existing stock of afford. Housing Social impact assessments	Social planning Development of regulations proscribing affordable housing levels/contribution		Contribution to local government peak body agenda Relations with state planning depts. Policy research	Land or equity invested (usually in partnership) in affordable housing project			Project and tenancy management
Examples								
Marrickville Boarding house project Childcare services Support for emerging communities Hawkesbury Virtual Village directory		Penrith Council negotiation of 3% AH on 20,000 units on new land Waverley density bonus Blacktown Council: Sale price of 13 units cross subsidised from total of 64	Parramatta Council draft strategy Kiama Council draft strategy	Local Govt. Housing Initiatives Program (LGHIP) funded activity eg. Keeping Parramatta Affordable, Parramatta City Council, 2001; Affordable Housing Project, Waverley, 1999	City of Port Phillip $13.7m leveraging $26.9m (mostly state) investment. $36m titles transferred to PPH Trust 2007 City of Brisbane $10m (in partnership with Queensland Govt $50m)	St Kilda/City of Port Phillip City of Brisbane	St Kilda/Port Phillip Housing Assoc. est. 1986 and Housing Trust 2006 Brisbane Housing Co. est. 2002	Indirectly through Port Phillip Housing Assoc. and Port Phillip Housing Trust (owner developer) Indirectly through Brisbane Housing Company (developer/owner/ asset manager)

Table 1. Local government role in provision of affordable housing by intensity/risk
Sources: Gurran (2003), Milligan et al (2004), Johnston (2006)

4. Providing sustainable and affordable housing

Defining sustainability and affordability

The integration of affordability and sustainability in housing projects is a core element of this project and presents a number of unique challenges and opportunities. Affordability is a relative term, but has also been precisely defined for the purposes of research and legislation. Housing affordability measures generally assume households on the lowest 40 per cent of incomes are considered unable to adequately meet their other living costs if over 30 per cent of household gross income is allocated to housing costs. The validity of this figure is open to discussion (Gabriel et al 2005) but, having been assumed, the '30/40' rule has allowed a large body of empirical work to flourish.

The concept of sustainability is similarly open to a number of readings. Blair et al (2003) examined the integration of affordability and sustainability within a study of greenfield suburban development master-planned communities and differentiated a series of levels within the sustainability discourse: philosophical, conceptual and operational. The authors conclude that a consensus over the philosophical purposes of the term sustainability has yet to be achieved. Significant tensions exist over the positive role technology and new industry may play in diminishing the dangers of environmental transformation. An extreme 'technocentric' position regards the planet's capacity to absorb waste as limitless. The contrasting 'ecocentric' position sees the well-being of humankind as dependent on nature and subservient to it. These differing philosophical positions identify differing environmental problems and encourage different forms of intervention. The technocentric position projects a *weak* form, limited to interventions required to ensure the sustainability of humankind alone, such as technical adaptations to offset the effects of environmental degradation and resource depletion. The ecocentric position takes a pre-existing balance between society and environment as optimum and seeks ways to establish a new balance through measures of *strong* sustainability.

The absence of a unitary view of sustainability mirrors the past volatility of international empirical and political debate over the effects of global environmental degradation. However, a sequence of national and international events over the last 12 months have changed public beliefs and expectations about the need to plan for sustainability. The signing of the Kyoto agreement by the Australian Government and the creation of a federal ministerial portfolio for Climate Change tend to discourage a purely technocentric focus on the *adaptability* of modern society: empirical evidence on climate change has presented the possibility of many scenarios whereby mere adaptation will be

made in the company of disastrous consequences. Stronger interpretations of what constitutes sustainability are currently on the rise.

The actions of institutions which define and act in the name of sustainability, not least those made by local government, play an important role in expressing and determining its meaning. Definitions of sustainability derived by institutions to coordinate their actions provide useful shortcuts to their current meaning. The Brundtland Report defined sustainable development as: "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development 1987, p43). The Victorian Government identifies environmental sustainability as: "the ability to maintain the qualities that are valued in the physical environment" (Commissioner for Sustainability 2006). Such definitions are of course dependent on particular readings: notions of need, comparison of needs between generations and what is valuable are all potentially contestable. Somewhat aloof from debate over definitions, a position based on the precautionary principle advocates a generally conservative approach to environmental change on the basis that environmental effects are intrinsically difficult to evaluate.

Policy for environmental sustainability is therefore made in the absence of a unitary definition. Shiller (2001) regards the poor definition of sustainability as both a weakness and a potential source of strength (cited in Blair et al 2003, p14). While unable to underlie broad-scale policies and programs, the generality of sustainability may help widen the response to the risk of environmental degradation, appealing to different circumstances at the appropriate level. This focus on the context of programs and policies can be seen as strengthening their sustainability and relevance.

Hence, policies and interventions which are specific to the needs of individual communities and developed in consultation with those communities are likely to be applied fairly rigorously and consistently. Planning for environmental sustainability frequently appeals for community input, purposely stimulating community consultative procedures and mechanisms to legitimate interventions and consolidate support for them in a programmatic way. Gurran notes a number of recent attempts to synthesise key themes of sustainability as a set of principles relevant to environmental governance:

> In relation to the decision making processes, the first principle is that of integrated
> and participatory decision making. The principle draws on ecosystem theories which

emphasise the interdependence of the social and ecological worlds. In practical terms this means that decision making systems must be capable of integrating a variety of potential competing social, cultural, economic, and environmental considerations, across sectoral and administrative boundaries, as well as space and time.

<div align="right">Gurran (2002, p5)</div>

The need to coordinate an integrated response to these competing issues across a given location leads, says Gurran, to a second principle of sustainable governance, which is that it should be undertaken on a *spatial* rather than a *sectoral* basis. This second principle emerged from the 1992 Earth Summit in Rio de Janeiro, through the creation of the Agenda 21 strategy framework for local environmental action and encouraged locally based participatory forms of decision making for integrative planning.

Best practice planning for environmental sustainability therefore places emphasis on community participation and attempts to weigh factors across the host of factors determining the environment. The integration of social and ecological consideration, combining with the core commitment of the Brundtland declaration to managed for intergenerational equity, has made present-day social equity another core concern of sustainability planning. The UN Habitat Agenda of "sustainable human developments" promotes the universal goals of providing "adequate shelter for all and making human settlements safer, healthier and more liveable, equitable, sustainable and productive" (UN Habitat 1996 and 2002 in Gurran 2002, p5). The Agenda also explicitly promotes the role of local authorities in planning for these goals. The contemporary meaning of sustainability, particularly in the context of local government, therefore implies a consideration of the combined goals of social and ecological equity and has a strong orientation to participatory decision making. The focus on shelter and equity highlights affordability—that is, equitable access—as a key concern.

The international discourse on sustainability allows the combination of a 'thick' and locationally-appropriate notion of sustainability with the more concise definition of affordability. The Framework for National Action (Housing, Planning and Local Government Ministers 2005) defines affordable housing as housing that is appropriate for the needs of a range of low to moderate income households and priced so that low and moderate incomes are able to meet their other basic essential living costs. The definition's requirement for affordable housing to be appropriate to need admits the consideration of a range of factors which influence the quality of housing provided, such

as size, location, tenure type, management structure and sustainability. In doing so the definition leads away from the central question of price and invites consideration of housing qualities, social values and political imperatives as established by local bodies in participatory and integrative planning for sustainability.

Balancing social, economic and ecological imperatives is the routine work of planners and designers, although clearly with regard to affordable housing, affordability must remain paramount, at least for the end user. Councils are well oriented to questions of sustainability and have policy processes to support their planning staff determine the balance on a case by case basis (see costs/savings of sustainable development). Furthermore, the intimate relation of councils to their community and the ongoing dialogue between councils and their communities, through consultation and communication networks, exemplifies the place of councils within the social ecology of a community. Many councils use integrative and participatory planning and evaluation processes reflecting best practice as recommended by Agenda 21, nesting environmental goals within their strategic plan.

Sustainability and affordability in housing

Integrating the dual aims and principles of affordability and sustainability poses a series of challenges and opportunities. At its base, the integration of these requires identification of known and potential areas of convergence and contradiction between these, and the establishment of frameworks and mechanisms for resolving contradiction or working to compromise. As discussed further below, the upfront costs of sustainable design elements are falling as best practice becomes normal practice. However, some elements do still add a degree of cost which have to be thoroughly understood and justified in the context of affordable housing provision. The identification of justifiable expense requires an understanding of holistic cost: benefit analyses, which always have to be considered in their immediate and broader context.

Consequently, in seeking sustainability and affordability in housing, many projects arrive at design considerations with multiple outcomes or which address multiple aspects of sustainability. This is because locally-based discussion about and definition of sustainability often highlights the interwoven nature of the social, ecological and environmental aspects of this. As such, it is impossible to say what particular blueprint of housing will work in a site without a process of local engagement and discussion. However, there are several themes or principles in housing and neighbourhood design documented as able deliver multiple sustainability outcomes and worth

considering here. These largely refer to aspects of 'ecological housing', which moves beyond relatively simple physical design considerations into an holistic engagement with the social and economic context of housing. As such,

> [t]his new form of housing must not only be eco-efficient but foster cultural and biological diversity, assist dematerialisation and ecological restoration, promote health and well-being, discourage consumerism, and contribute to community building.
>
> James and Birkeland (2004, p119)

In the context of affordable housing this is particularly relevant, as households in housing stress are increasingly documented as less able to participate fully in social enterprise and community development. Addressing housing stress and building sustainable communities therefore refers to a variety of appropriate concerns which will be teased out here.

Physical sustainability of housing

As perhaps the most straightforward aspect of housing sustainability, this refers to basic design features such as correct solar orientation, ventilation and passive heating/cooling systems; low water-usage fixtures; high levels of insulation; water collection and reuse; high energy efficient fixtures; sustainable and durable materials sourcing; low toxicity and low volatile organic compound (VOC) finishes and materials. These are increasingly becoming standard in housing design. It also includes relatively simple—yet by no means widespread—design features such as universal design which designs for a range of ages and mobilities at the start, meaning that changes in these do not require expensive retrofitting of houses or the relocation and dislocation of individuals.

The similar principle of flexible design is becoming increasingly widespread. This focuses on providing a range of spaces able to be used for a variety of purposes which can change over time. Initiatives here include building compact households that can expand over time with a family[7] and the provision of muse apartments which can be used as home offices, granny flats, teenager accommodation etc. If placed strategically these can also provide casual surveillance of otherwise secluded spaces such as rear lanes.

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[7] Ideally this would be reversible as well, which cohousing design has been able to achieve through the provision of rooms between adjacent units, the families of which determine the rooms' usage over time.

Lastly, the location of the housing development is a crucial factor in its sustainability. This refers to the need for housing to be close to public transport, jobs, care services, public infrastructure such as recreational facilities and libraries, schools and shops. Medium-density development is increasingly seen as necessary for sustainability, both in terms of being able to build houses close enough to existing hubs of infrastructure and activity and reducing the individual physical footprint of each unit.

Social sustainability of housing

The social sustainability of medium-density housing is a mixed and heated debate and achieving this requires sensitive and sensible design. In addition to a design process that involves the community, project design that balances individual and shared spaces and provides the right balance between privacy and connectedness, is vital to the ongoing viability of medium-density housing design. This requires consideration of visual and acoustic seclusion and continuity; this sensitivity is increasingly understood by architects.

The principles of universal and flexible design start to address the social sustainability of the built form by providing for a variety of uses, household form, ages and mobilities. This can also be supported and articulated through community involvement in the design of the project. This can deliver socially-determined housing as well as build community capacity and stability both through the design process and the resultant development. Flexible design also can create multi-use spaces to act as hubs of social and community enterprise. Such mixed-use development can also focus on the inclusion of community spaces such as childcare centres, community workshops and business incubators.

Economic sustainability of housing

Mixed-use development can bolster the economic sustainability of a project and its households. Onsite multiple uses can provide an income stream to households, project partners and local businesses. The ongoing financial viability of affordable housing projects requires consideration of available subsidies, as well as income and tenure mixes. While ongoing affordable rental does provide a relatively guaranteed income stream, this may need to be considered against the fuller suite of social outcomes generated by emerging affordable ownership forms discussed below.

As a final point here, innovative integration of social, economic and physical sustainability of housing can provide multiple outcomes. For example, productive green rooftops and the use of vegetation on northerly building aspects can simultaneously act as a carbon sink, reduce the urban heat island effect, provide air-conditioning and shading, be a source of food security and quality, provide an income stream, insulate buildings, provide amenable outdoor space, be a wildlife habitat, offer a space for community activity and gathering, provide regular low-level exercise and be an educational resource.

Innovation in affordable housing

Affordable rental housing is currently the predominant form of affordable housing in Australia. This is housing built to be occupied by individuals ineligible for public housing but unable to participate effectively in the open market. This usually translates into maximum household income thresholds of roughly $75,000 per annum, adjusted for household size. This housing is usually built and managed by dedicated non-profit private affordable housing companies and commonly subsidised by the sale of a number of the housing units on the open market. Such schemes are currently the preferred model for the Centre for Affordable Housing's Housing Innovation Fund administered under Housing NSW and for the proposed federal National Rental Affordability Scheme (NRAS).

NSW also has numerous housing cooperatives, operating both as affordable rental housing under the auspices of the Association to Resource Cooperative Housing which answers to the Office of Community Housing within Housing NSW, and as solely private market entities offering shared ownership of land and a property. These latter are found in non-metropolitan areas, usually on Community Title. Overseas experience and Australian research shows that the cooperative housing sector is highly effective at delivering multiple outcomes, particularly with regard to social capital and community capacity building (see Shellshear 2001). There is capacity for the NSW cooperative housing sector to play a greater role in innovation in combining sustainability and affordability in housing, particularly given the sector's overt and structural focus on social sustainability. Each cooperative is bound by the principles of the International Cooperative Alliance, which are:

1. Voluntary and open membership;

2. Democratic member control;

3. Member economic participation;

4. Autonomy and independence;

5. Education, training and information;

6. Co-operation among co-operatives;

7. Concern for community.

The NSW cooperatives do not currently have a dedicated and member-owned developer such as Victoria's Common Equity Housing Ltd and are currently hampered by their reliance on available public housing stock. However, there is potential for the cooperative form to combine with affordable housing providers to combine affordability and social sustainability aims. A developing project of this type is discussed as a case study later in this report.

In addition to these rental models are emerging affordable ownership forms being established in WA and SA. These are dual mortgage models in which the homebuyer partners with the State and pays up to 60 per cent of the market price of a purpose-built home. At sale, the homebuyer pays the State back and that money subsidises the next affordable purchase. While a this is much needed first step in diversifying the available tenure options in Australia, overseas experience and evidence shows that dual mortgages tend to leak subsidies over time, as the rate of increase in housing prices may outstrip the rate of return on the initial subsidy (see Box 1). In comparison, models such as deed restrictions, limited equity cooperatives and community land trusts (CLTs)—used variously throughout the United Kingdom, Sweden, Canada and the United States—all lock subsidies in over time, with CLTs documented as most able to perform this role and generate perpetually affordable homeownership while still allowing a degree of equity build-up for the resident (Davis 2006). Appendix 1 provides an overview of the tenure models. Of these, deed restrictions would be the form most readily transferable to NSW and would require ongoing stewardship by a partner organisation, such as an affordable housing company.

Evaluating sustainability performance

The matrix of goals presented to planning for sustainability, and the fact that the balance of these goals may be particularised by local circumstance, presents unique challenges to the measurement of sustainability outcomes. Blair et al (2003) review a range of methods for assessing sustainability in respect to economic factors, materials and energy, and 'whole of building' characteristics. They conclude with a recommendation of an indicators approach to assessment "such as appear in state of

the environment reports throughout the western world" (Blair et al 2003, p15). They arrive at a 'triple bottom line' indicator approach which combines project evaluation across economic, environmental and social outcomes. The approach acknowledges the special capacity of social indicators to demonstrate the complex and dynamic relationships between economic, social and environmental features of a community project.
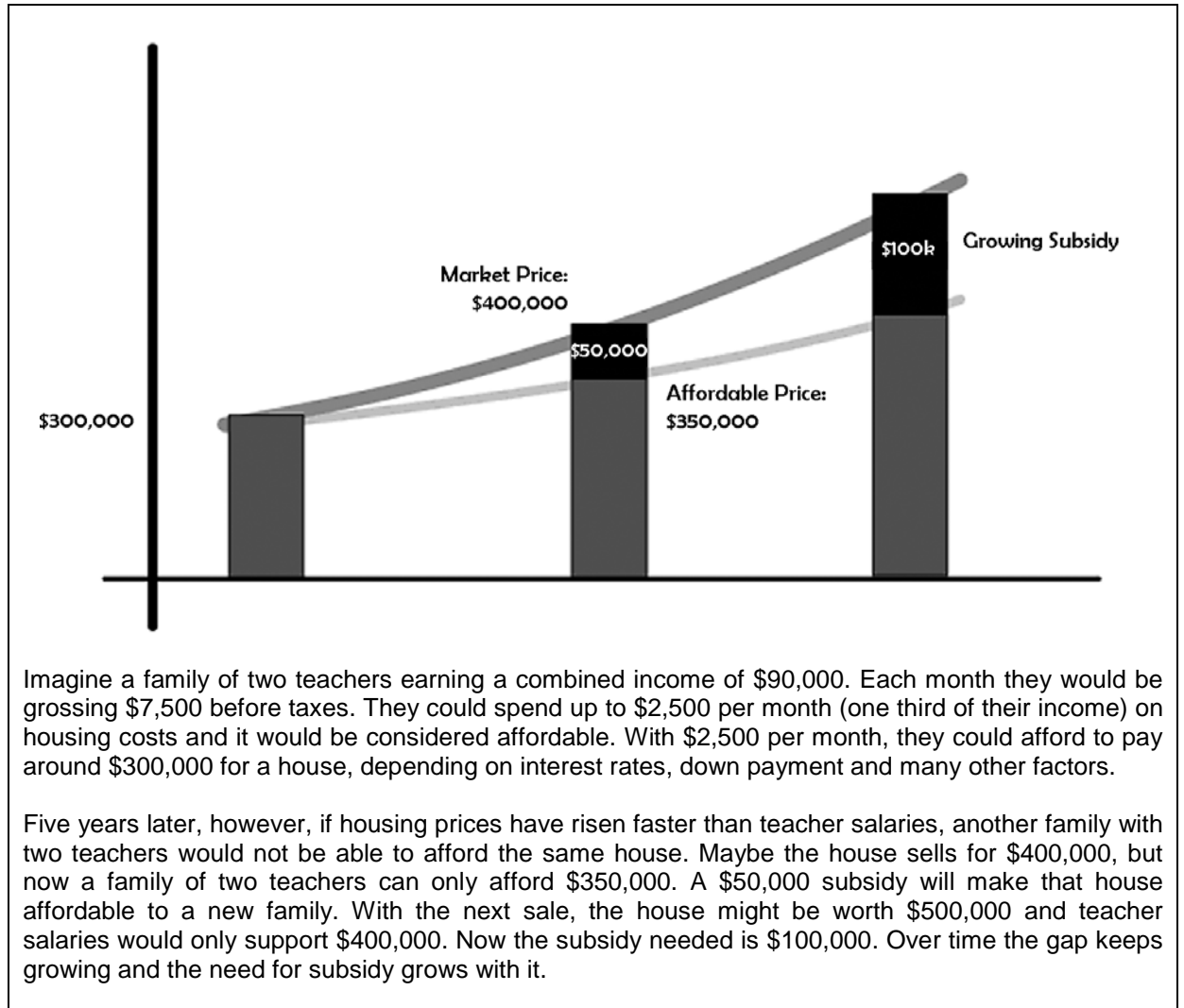
The Framework for National Action on Affordable Housing (Housing, Planning and Local Government Ministers 2005) included a specific task to develop a national affordable housing evaluation framework. Work on this task has been significantly progressed work which advances the use of a 'realistic evaluation' model for this purpose (Milligan et al 2007). Though designed to evaluate affordable housing interventions, the method proposed in the paper encourages assessment of a wide range of factors – institutional processes, non-housing outcomes for tenants. While maintaining a primary focus on economic sustainability it has ample capacity to encompass projects with broader sustainability objectives.

Appropriate to a national evaluation framework, the method strives to increase the portability of individual project or policy evaluations to enable comparisons between intervention types. The 'realistic' approach places emphasis on contextual factors affecting evaluated outcomes, the degree to which evaluations of projects provide evidence supporting their rationale and theory of action.

Milligan et al's (2007) method is modelled through the example of an affordable housing supply project. That example considers four categories of activity associated with the development of an affordable housing supply project—development activity, tenant/occupant selection, tenancy management and asset management—and identifies key risks, performance indicators and evaluation methods appropriate to these categories. Included in the supporting objectives identified for this case are several objectives which are strongly orientation to sustainability values: efficiency, equity, participation and appropriate housing (Milligan et al 2007, p42). Particular priority is given to the importance of a process evaluation of a project's risk management strategy. The method recommends that evaluations conclude with the assessment of the efficacy of the project rationale, a weighing of contextual factors and consideration of potential for applications in other settings.

The assessment of the case studies selected for this paper intends to reflect the overall realistic evaluation approach and have been guided by the questions developed by Milligan et al. for the case of a housing supply intervention. In this case the project aim has been assumed as increasing the

supply of affordable housing and improving the sustainability of affordable housing. Additional evaluation objectives specific to the aims of sustainability have been considered alongside those prioritised in the modelled example for the case of affordable housing supply.

Imagine a family of two teachers earning a combined income of $90,000. Each month they would be grossing $7,500 before taxes. They could spend up to $2,500 per month (one third of their income) on housing costs and it would be considered affordable. With $2,500 per month, they could afford to pay around $300,000 for a house, depending on interest rates, down payment and many other factors.

Five years later, however, if housing prices have risen faster than teacher salaries, another family with two teachers would not be able to afford the same house. Maybe the house sells for $400,000, but now a family of two teachers can only afford $350,000. A $50,000 subsidy will make that house affordable to a new family. With the next sale, the house might be worth $500,000 and teacher salaries would only support $400,000. Now the subsidy needed is $100,000. Over time the gap keeps growing and the need for subsidy grows with it.

Box 1. Subsidy leakage in dual mortgages.
After Jacobus and Cohen (in press, p3).

Sustainability and costs

Sustainability concerns add up-front costs to residential projects, but increasing uptake and innovation means these are becoming cheaper if not financially invisible and consequently the time of occupancy required to recoup these costs is dropping. Research in 2005 assessed these payback times at just over a decade, with payback for individual design elements ranging from one to 12 years (Luxmore 2005). Total costs of sustainable elements in the three project homes in that trial

represented just under nine per cent of the total house cost with solar panels, or just over six per cent without (see Table 3); many features—such as efficient water fixtures—add no cost due to uptake throughout the market (Luxmore 2005). Further, that study estimated that these fixtures would represent annual savings of $504 on electricity use at 2005 prices and a 74 per cent reduction in water use. Obviously with predicted increases energy and water costs, these savings will increase.

Design feature	Cost ($)	Cost (% total cost)
Passive elements: solar orientation, insulation, window treatments, shading, high ceilings	6,277	2.3
Energy efficient fixtures: lighting, fans, appliances, smart meters, greenhouse gas efficient water systems	2,613	1.0
Photovoltaic cells: (largest house only)	7,350	2.2
Liveability elements: level entry thresholds, slip-resistant floors, wider doors and hallways, casual surveillance	582	0.2
Water efficiency elements: AAA+ shower roses, 6/3L dual flush toilets, internal tap flow restrictors, thermostatic mixers	0	0
Landscaping elements: automatic sub-surface irrigation, mulch, timers on external taps	not given	0.4
Water storage and supply: 12 000L water tanks, water quality devices, pumps and irrigation on two houses	6,314	2.3
Air quality elements: low-toxicity floor and timber finishes, non-toxic paints	0	0

**Table 2. Absolute and relative costs of sustainable design features.
Adapted from Luxmoore (2005).**

These reductions in ongoing costs of occupancy through lower heating, cooling and water bills are particularly relevant to affordable housing. In housing low- to moderate-income households, there is a clear argument for designing housing which costs less to occupy. The key issue is reducing up-front costs, as these are borne by the developer and in affordable housing projects cannot be passed to the resident. Recent innovation in design and construction has shown that a degree of universality in design creates both flexible and accessible design and a reduction in per-unit construction costs; research post-2005 indicates that the costs tabled above are continuing to fall (Horne 2008). Furthermore, the Victorian Building Commission has commissioned work that revealed the costs of complying with their five-star energy rating and water measures added a mere two per cent to up-front costs (Building Commission 2005).

5. Case studies

Rationale for selection of case studies

The three case studies selected for detailed examination and discussion are the Port Phillip Housing Association, Brisbane Housing Company and a development proposed under Willoughby Council at Barton Rd, Artarmon. These were chosen with reference to the currently most authoritative evaluation of successful Australian examples of affordable housing provided by non-government services. These were evaluated in previous work undertaken by AHURI to provide an evidence base for an expansion of the provision of affordable housing (Milligan et al 2004). The examples offered by Australian experience are few in number, were created and exist as anomalies to the general policy trend overseen by state and federal governments and have features particular to their local and historical origin. Table 4 provides an overview of Australian affordable housing providers. The analysis of this 'lumpy' field does not allow easy generalisations as to which is the most efficient or risk-free model. Furthermore, information enabling direct comparisons of financial and other forms of performance has yet to be compiled.

The available analysis of these precedents nevertheless provides a valuable range of information with potential application in a variety of contexts, including those provided by a partnership between a council and a not-for-profit community housing provider as currently being encouraged by the New South Wales Government.

Review of the information and analysis provided by Milligan et al (2007, 2004) encouraged further study to be limited to three cases of markedly distinct types, allowing for representative examples from the available range of successful affordable housing interventions to be presented in an accessible format. The Port Phillip Housing Association (Inkerman Development/Argyle St) represents a unique force in the creation of affordable housing in Victoria, one driven largely by a sustained housing policy of Port Phillip Council, a council of relatively modest economic capacity. Brisbane Housing Company exemplifies a state government established arm's length non-profit company with strong and formalised connections to Brisbane City Council. The Willoughby City Council/Association to Resource Cooperative Housing /Community Housing Ltd project planned for construction in Willoughby serves as an example of the debt equity funding model supported by funding from the NSW Government. The Willoughby example is significant also for the incorporation of a cooperative as a component of tenant management.

	State government established agencies			Independent affordable and community housing agencies			
Agency	City West Housing Ltd	Community Housing Canberra Ltd	Brisbane Housing Company Ltd	City of Port Phillip/Port Phillip Housing Assn. (Inc/Ltd)	Perth Inner City Housing Assn.	Community Housing Ltd	Melbourne Affordable Housing
Investment	$50m Commonwealth funding; $7.3m (4%) of NSW Govt land sale in area to 2003; Regional Development levy ($14m to 2003)	Project funding under ACT community housing programs	Initial $50m Queensland Govt.; $10m Brisbane City (land and cash). Total State funding $99m at 2005 (KPMG)	$13.8m City of Port Phillip; $26.9m leveraged (mostly from Vic Got) (2006) CPP housing assets ($36m) transferred to Trust 2007	Project funding from WA Govt	Project funding from Vic Govt; Capital, land and `in kind' contributions from non-govt equity partners	$1m start up funding from City of Melbourne. Vic Govt project funding. Capital, land and `in kind' contribution from non-govt equity partners.
Housing stock	365 dwelling owned; 81 units under construction in Pyrmont/Ultimo. Later expanded to Green Square project in South Sydney – expected further provision of 284 units over 30 years.	15 units acquired in joint venture, 4 units under development; 209 properties transferred from ACT Housing	101 dwellings owned; 157 under development	459 units initiated by City. 254 owned by City; 78 owned by PPHA. 103 units under construction (Milligan 2004) 535 total units at 2008 (PPHA 2007)	265 units managed. Estimated 26% debt/equity share in 75 units.	25 units owned; 650 properties managed.	Approximately 176 dwellings managed

**Table 3. Australian not-for-profit Affordable Housing Providers
(Milligan et al. 2004; KPMG, 2005; PPHA, 2007)**

To the extent that there is a pattern within the examples, it is most clearly visible in relation to the degree to which a given development project or not-for-profit housing provider was initiated by federal or state government. Relative proximity to government has determined many features of a given intervention: scale of initial investment, capacity to leverage further investment, access to developer contributions and levies, board structure (in some instances mandating involvement of government minister), level of organisational autonomy and other features.

Case study 1. City of Port Phillip: Inkerman Oasis Development. High-level Council involvement

Overview

The Inkerman Oasis Development initiated by the City of Port Phillip (CPP) is the most prominent and successful example of a council-initiated affordable housing development. The development created 245 residential units and three retail suites within a six-building complex of three to five floors, one building of which was refitted due to its architectural significance. The development provided 32 units of social housing (13.5 per cent of total), the title to 28 of which passed to CPP in return for the land donation. All 32 affordable units are managed by the Port Phillip Housing Association - the body created by CPP to support the delivery of its Housing Program. The project is unique in that it is funded mainly by private capital: the CPP was responsible for initiating and managing the development of the master plan, developing legal controls securing implementation of the plan and contracting the construction company create the development. The project follows a long history of the CPP's involvement in housing provision dating from 1985, largely independent of state government though attracting significant state government funding. The development actively demonstrates the Council's standards of recommended best practice regarding sustainability and has been acknowledged as a leading example of sustainable design through national and international awards.

Context

The Inkerman Oasis Development is the largest affordable housing construction project undertaken as part of CPP's Port Phillip Community Housing Program. It is also the most ambitious in attempting to showcase both the council's capacity to independently provide affordable housing and

its orientation to environmental sustainability. It is atypical of projects initiated by the CPP in being initiated without significant state funding. The Inkerman Oasis Project was therefore effectively an ambitious demonstration project, one beyond the scope of most councils. Its feasibility rested on unique local circumstances, foremost the dynamism of the Port Phillip Housing Community Program.

The Port Phillip Community Housing Program was created by the then City of St Kilda in 1986 in response to the rapid closure of rooming houses and subdivision of blocks of rental flats in St Kilda (CPP/PPHA 2006). The area had a low proportion of public housing relative to surrounding areas and the State as a whole. The goals of the program sprung from these facts, seeking to: "provide secure, affordable and appropriate community rental housing for local residents with long-term links with the area and who are eligible for public housing". The strength and sustainability of the Program has rested on a critical interrelationship between the City and the community it serves. Sustained commitment to housing policy has allowed the Council to accumulate specialist expertise around affordable housing and housing project management issues, raising awareness of issues and creating means to address them. This effort has been supported and to an extent driven by a consistently active and electorally effective community lobby group, 'Turn the Tide'. This group has, from 1985 to the present, lobbied to protect the character of the St Kilda community and built environment from the negative effects of gentrification.

The 'Turn the Tide' lobby group were drawn from groups moving into St Kilda in the early 1980s and included a high proportion of artistic and community oriented individuals. The group ran independent candidates in the 1986 council election and coordinated a campaign to halt the influence of development. The influence of the group endured the creation in 1994 of the City of Port Phillip through the amalgamation of the City of St Kilda with South Melbourne and Port Melbourne and remains an important feature of local politics.

The City's interest in gentrification on the part of the City of St Kilda, evidenced by council reports of the 1970s, predates the emergence of Turn the Tide however. The City of Port Phillip continues to report regularly to the community on the effects of gentrification and held a public forum on this topic in 2007. A full-time housing officer position has been maintained by the City of St Kilda/Port Phillip since 1985. A number of councillors, including one previously employed as a housing officer for the council, have had direct and long-standing involvement in administration of City of Port

Phillip Housing Program through their representation on the board of the Port Phillip Housing Association, the body created by the City to manage housing created under its Housing Program.

Background to Inkerman Oasis Project

On being formed in 1994, the City of Port Phillip found the site of the former St Kilda municipal depot surplus to its needs. The City formally adopted the St Kilda Housing Program shortly after the first election of councillors to the new body in 1996, allowing the exploration of possibilities for affordable housing on the old depot site. The size of the site and its high development potential (up to about 194 units/ha. x 1.22 hectares) was thought too large for community housing alone and ineligible for grant funding through a joint venture with the State housing authority. A public-private partnership to provide mixed community-private housing was developed, with the aim of transferring the commercial/development risk to a private developer (CPP 2007).

History and aims

The Port Phillip Community Housing Program aims "to provide secure, affordable and appropriate community rental housing for local residents with long-term links with the area and who are eligible for public housing"(CPP/PPHA 2006, p1). Its rationale for doing so is to offset and soften the effects of gentrification on low income groups who have traditionally lived in Port Phillip. The Program also claims a symbolic role as "a tangible expression of a community culture supportive of social diversity and inclusiveness." The Program's combined interest in retaining St Kilda's traditional inhabitants and in supplementing the State's role has led to its strategic emphasis on the provision of accommodation for single persons/couples. This emphasis followed naturally from the abrupt erosion of the volume of boarding house accommodation due to intensifying gentrification from the 1980s. Many projects of the PPHA have involved the refurbishment or construction of boarding house-style accommodation: 80 per cent of PPHA's property portfolio consists of rooms with shared facilities, studios or one bedroom units, an emphasis which, the Association says, reflects current demand (PPHA 2007, p24).

The Inkerman Project itself is identified in City of Port Phillip literature within "phase III (1996/97-1998/99) of the Council's history of affordable housing development. This phase had a focus on partnerships and joint ventures with private developers and State Housing Authority to extend the value of Council contributions. Council played an important role in the initial stages of the project through project planning and site remediation. Remediation of the land increased the dollar value of the Council's contribution and hence its final return, in the form of titles to 28 completed units. It

also increased the value of its contribution to the project, making the project more viable for the developer. Master planning embedded Council's corporate goals of affordability and sustainability while facilitating greater certainty for the developer. With these things done, the title of the land (and much of the risk of the project) was transferred to the developer, allowing the Council a more hands-off involvement in the latter phases of the project. The Council has identified five models through which to create affordable housing:

1. To develop Council property or acquire private property for community housing;

2. To transfer Council land to a developer and receive community housing in consideration for its value;

3. Sale of Council owned land and use of the proceeds to fund community housing on- or off-site;

4. Council undertaking mixed private and community housing development, using the profits of the sale of housing to fund the retained component;

5. Buying into a private development to obtain community housing.

(CPP 2000 cited in Milligan et al 2004, p88)

The Council employed the second of the above models in the case of the Inkerman Oasis Development, guiding the outcomes of the development through the contract of sale, input into the project's master-planning and ownership of the majority of the affordable housing component (28 of 32 units). The contract of sale stipulated the developer lodge a section 173 agreement (under the provisions of the Environment and Planning Act 1987) with the Registrar of Titles. The obligations flowing from the agreement served as a binding covenant.

The Inkerman Oasis project design modelled a number of innovations in addition to demonstrating the potential of deriving affordable housing through a joint venture approach. The development aimed to integrate social housing units across the development (a 'salt and pepper' approach) among the units sold in the private market, the exception being 13 social housing units for seniors, aggregated in a single block. The development was therefore 'tenure blind', with no external distinction between private and social housing units in the development. Best practice ecological sustainable design was attempted.

Development Process

A steering group including City of Port Phillip and State Government representatives, and Ecumenical Housing Incorporated (EHI) considered options for the site from late 1996. Council endorsed provisions allowing transfer of title to EHI to allow taxation and duties benefits in mid-1998. The master-plan was completed and exhibited. A positive community response to the master plan assisted the necessary rezoning of the site. A tender for the development contract made by Inkerman Developments was accepted in 1999 after review and conduct of a cost-benefit analysis against other options. The $624,000 cost of the master-planning process was recovered from the developer through Council's relinquishing of two two-bedroom units originally promised in the contract of sale.

The site itself needed considerable remediation, the required work given a value of $1.7 million by the Urban Lands Corporation. The Council decided to contract for the remediation at a fixed price, completing the work under price at $1.4 million. This provided for recovery of one of the previously foregone units, bringing the total units received by Council to 28 units. The total contributions made by Council prior to the transfer of the land to the developer were:

- □ Preparation of an initial master plan design and associated cost estimation which included environmental design features;

- □ Facilitation of the planning process and Council acceptance of the building heights and unit density;

- □ Undertaking community consultation;

- □ Preparation of a soil contamination report and remediation strategy;

- □ Total site remediation with a cost of $1.7 million;

- □ Title conversion from General Law to the Torrens System under the Transfer of Land Act; and

- □ Rezoning from Public Purpose-Local Government to Mixed Use.

(CPP/PPHA 2007)

The Council's active role in the development ceased from the point at which the land title transferred to the developer. The features of the development and the level of benefit returning to Council were secured through robust legal provisions. These provisions did not prevent some significant delays in the completion of the Project however. Housing outcomes of the project were designed to be delivered in stages to allow sales to fund later stages. The construction period of Stages I and II was extended from 12 to 17 months in a period of sluggish demand within the Melbourne housing market. These stages delivered 104 housing units, including 15 Council owned units. The developer was unable to re-finance and obtain sufficient pre-sales to immediately commence subsequent stages. Stage III was thus delayed some three and a half years, commencing in May of 2005 and completed in mid-2006, when it delivered the remaining 13 units to Council. Stages IV & V were finished in 2006/07, delivering the remainder of units for private sale.

Tenancy selection

As with all properties developed under the CPP Housing Program, the responsibility for tenancy and asset management for the Inkerman Oasis Development rests with PPHA, relieving CPP from recurrent costs and risk. Despite the relative lack of state investment in the Inkerman Oasis Development—presenting the opportunity to deviate from state-mandated tenancy management approaches—the selection and management of tenants is consistent with the general approach developed in the PPHA over the years. The City of St Kilda established the St Kilda Housing Association in 1986 at the commencement of the City's Housing Program to manage the tenancies and assets created through the Program. The Association was renamed the Port Phillip Housing Association in 2001 to reflect its role across the amalgamated City of Port Phillip. Port Phillip Housing Association provides housing to those:

☐ Whose income and assets are such that they are eligible for public housing in Victoria, or are eligible for Commonwealth Rent Assistance;

☐ Who are renting in the private sector and who are disadvantaged, at risk or experiencing housing stress;

☐ Who have established links to the local Port Phillip community.

PPHA (2008)

Applicants must demonstrate a local connection to be registered (Milligan et al 2004, p87). A point system is used to allocate households across eligible target groups, corresponding with the Victorian

Government's 'segmented waiting list' targeting distribution by level of risk/need (Dodson 2006). The PPHA website reports approximately 700 applicants are currently on its register.

Tenancy management

Rent policy for PPHA accommodation is as for public housing, set in proportion to income, reflecting the Victorian Government's past financial involvement as a partner in PPHA projects (Milligan et al 2004, p87). Income from rents is accumulated by PPHA and used for maintenance and administration. Any surplus is directed to the development of new projects.

PPHA has a strongly stated commitment to develop good working relationships with their tenancy base and to remain responsive to its needs:

"We are fundamentally driven by a commitment to community development principles and practice which:

- ☐ Provides responsive management to our residents;

- ☐ Enhances personal well-being and strengthens individual lives;

- ☐ Ensures our residents have access to the resources they need

- ☐ and assistance to connect with their community; and

- ☐ Works with other agencies to achieve our mission."

(PPHA 2006a)

Partnerships with local support agencies have been developed to support the high proportion of tenants with complex needs. The results of tenancy satisfaction surveys, turnover of tenancies and other matters are reported on annually.

Asset management

The responsibility for management of the 28 properties received by CPP is granted to PPHA via a Management Agreement (see Appendix 1). The terms of the Agreement stipulate principles of tenancy selection and management outlined above, permits PPHA to retain all rental income in

return for accepting all financial liabilities and to accumulate any surpluses to further the aims and objectives of PPHA. Provision is made to allow compliance with existing service agreements between the Office of Housing and Council. Council retains powers to terminate the agreement on unsatisfactory performance of PPHA.

A restructure of the CPP Housing Program in 2004 led to the creation of the Port Phillip Housing Trust, with PPHA acting as the Trustee Company, to hold the properties created through CPP's Housing Program. Approval for transfer in 'accordance with completed section 189 process under the Local Government Act' was granted by Council in 2007. In July a total of $36m of Council's assets, accumulated through its Housing Program, were transferred to the Trust (PPHA 2007). Advantages of the Trust for the Housing Program are:

- □ Eligibility for tax concessions;

- □ Capacity to accept charitable donations;

- □ Enhanced capture of not-for-profit development for the Housing Program;

- □ Reduction of limitations and risks of Council's involvement as developer and project manager;

- □ Reduction of risk of asset sell-off associated with future possible shifts in the composition of Council or state government.

Outcome summary

The Inkerman Oasis Development satisfied the core objective of Council to provide affordable housing consistent with the aims of the Port Phillip Housing Program through a Local Government/Private partnership while also modelling best practice sustainable design. In respect to financial return, CPP contributed land to the value of $7.5m in exchange for 28 units valued at $5.845m at the time the land was transferred and a payment for the value of the site's remediation undertaken by council (to value of $1.7m) prior to its transfer. Despite the delayed delivery of the housing outcomes (six months for first 15 units, approximately three years for remaining 13 units), the resulting delay in rent revenue had no economic impact on Council. In relation to ecologically sustainable design, the project incorporated important features of sustainable design including:

- □ Recycling of large 20th century building for heritage purposes;

- Orientation of most of the buildings to achieve optimum solar access to living areas of a majority of units (66 per cent facing north, 22 per cent facing east-west, 12 per cent facing south);

- Cross ventilation of units and car park to minimise use of mechanical ventilation/air-conditioning;

- 3.5 to 4.5 star energy rating for units;

- Selected use of solar lighting and water heating;

- Permeability of site through two public pedestrian thoroughfares;

- Roof garden over sub-basement car park;

- Use of native trees;

- A waste water recycling system for grey- and storm-water - the first of its type in Victoria. The water is used in the sub-ground irrigation of the development's 2,500m^2 landscaped areas. The system prevents an estimated 14 tons of phosphates and nitrates from flowing into Port Phillip Bay (CPP 2007).

The project's achievements in ecologically sustainable design reflected a broad and integrated set of interests in sustainability reflected in the Port Phillip Housing Program and more generally in the quadruple-bottom line measures used for CPP programs. This includes the more standard triple-bottom line of economic, social and environmental sustainability, plus cultural sustainability. The creation of social housing helped implement the strategy of the Housing Program, itself intended to sustain the capacity of traditional residents to resist the pressures of gentrification, and to gain housing security as a basis for personal sustainability. Integrated artwork—2 murals, 4 purpose-built gates and word bricks—and the reuse of one of the original buildings on the site represent cultural sustainability outcomes and possibly environmental outcomes, due to retention of the embedded energy of the heritage building. The cost neutrality of the project to Council supported its future involvement in similar projects, ensuring the Housing Program's health and replicability.

The project delivered important subsidiary outcomes. The housing created has high amenity and is administered by a purpose-designed housing entity specific to the requirements of the target group of the Port Phillip Housing Program. The high level of satisfaction of tenants served by PPHA is reported regularly in the Association's annual reports. The project has, moreover, piloted a number

of innovations in terms of housing project design and sustainability without significantly inflating costs. These outcomes, detailed below, have broad implications for replicability of the model in other jurisdictions and contexts.

Implications for other settings

The success of the Inkerman Oasis Development relied on a number of unique features. The Port Phillip Housing Program was one of the most productive and innovative housing interventions to be driven by a local body. It had been vigorously supported by elements within the local community in the ten years prior to the commencement of planning for the Inkerman Oasis Development, in response to a rising tide of gentrification within an area distinguished by its low proportion of public housing. The adoption of a Council-private developer model reflected the relative maturity of the Council's Housing Program, which had in the mid-1990s sufficient expertise and resources to take on an ambitious project on a public-private partnership (PPP) basis. The Inkerman Oasis Development nevertheless demonstrates a number of principles which may be applied in other settings.

The Council proved to have sufficient legal control to ensure the project proceeded as planned. The contract of sale stipulated the developer lodge a section 173 agreement (under the provisions of the Environment and Planning Act 1987) with the Registrar of Titles. The obligations flowing from the agreement served as a binding covenant. This legal vehicle also significantly transferred the risk from Council to the developer.

A Council's contribution of land to a housing development can, in some circumstances, allow a Council to obtain housing to the value of the land it has contributed. The value of a Council's contribution may be enhanced through its control of master planning and through direct improvements to the land. CPP's remediation of its old depot site at a cost of $1.4m increased the land value from $5.2 to $7.5m.

The use of a mixed tenure housing provision, in which a portion of housing of a development is sold to help fund a body of social housing, allowed the cost of the production of the 28 units gained by CPP to be met. The lack of visible exterior differences between social and private units of the development has allowed the salt and pepper distribution of social housing units within the mass of privately owned units, avoiding possible negative effects of concentrating the social housing units in one area of the development.

A broad-reaching approach to sustainability, despite being concerned across a broad spectrum of issues, may nevertheless prove effective in delivering high returns to particular areas of concern: the project's lauded environmental innovations were delivered on a budget, and with a view to the replicability of the Port Phillip Housing Program. The proven affordability of the ESD features will increase their uptake in other contexts.

Case study 2. Brisbane Housing Company Ltd: Kelvin Grove Projects. Revamped arm's length model

Overview

The Kelvin Grove Projects of the Brisbane Housing Company are situated within the Kelvin Grove Urban Village - a major brownfield urban redevelopment complex on 17 hectares master-planned by the Queensland State Government. The Kelvin Grove Urban Village (no date) master-plan aims to set new standards in environmentally sustainable development in Australia while serving as "a model for other governments striving to meet the challenges of providing affordable housing opportunities and for integrating educational facilities and opportunities into a community". Table 5 shows a breakdown of the unit types and numbers at Kelvin Grove. The affordable housing within the Kelvin Grove Project therefore forms a component of an holistic response of the Queensland Government to the range of planning issues facing contemporary Australia: the project was conceived and promoted as part of the Queensland Government's City West and Smart State Strategies. Now in the latter stages of construction, the Village will provide a total of 1000 dwellings, of which 155 will be affordable housing. The commercial centre and creative industries complex will serve as an activity and employment hub. The specialist blocks of affordable housing complement other dedicated buildings within the Kelvin Grove Urban Village designated to the segregated housing needs of students and seniors.

Context

The transfer of the 8.2-hectare site of the Gona Barracks from the Defence Department to the Queensland Department of Housing in 1998 allowed the consolidation of 17 hectares owned variously by the Queensland University of Technology, Department of Housing and Brisbane City Council. Master-planning for the site was underpinned by a formal agreement between the Department of Housing and Queensland University of Technology. Situated approximately two

kilometres from the Brisbane CBD, development of the site offered the sustainability gains from urban consolidation. Integration of commercial and creative industries elements within the site were intend to both provide a subregional hub for surrounding existing suburban areas and to act as a catalyst for the growth of Brisbane's knowledge industries: the latter strategy drawing explicitly from the experience of Britain's National Endowment for Science, Technology and the Arts (NESTA). The Kelvin Grove Urban Village, being built on previously undeveloped land, did not present a significant threat to the amenity of surrounding suburbs, nor was it driven by local interests within the community. It began with corporate arrangements between the major landholders and provided the Queensland government with a relatively low-risk means to showcase the capacity of centralised planning.

	Development cost	Unit types	Completion date
Ramsgate Residences (lot 1)	$5.4m	16 x studio 8 x one-bedroom 8 x two-bedroom	Feb 2006
Hartopp Lane (lot 18) (Also referred to as 81 Musk Ave)	$6.7m	12 x boarding rooms 18 x studio 10 x one-bedroom 2 x two-bedroom 2 x commercial (grd floor)	Sept 2006
School St (lot 28)		4 x one-bedroom 11 x two-bedroom 12 x three-bedroom	Nov 2006
25 Musk Ave (lot 6)	$10.2m	20 x studio 20 x one-bedroom 14 x two-bedroom 2 x three-bedroom	Jan 2007

Table 4. BHC Apartments at Kelvin Grove Urban Village

The formation of the vehicle enabling the production of the affordable housing of the Kelvin Grove Urban Village, the Brisbane Housing Company (BHC), followed the announcement of the Village project by some two years. While the goals of BHC are independent of the Village project, and apply to the provision of affordable housing across Brisbane as a whole, its origin, unique governance structure and high level of government support reflect its instrumentality to the goals of the Queensland government. BHC received $92 million from the Queensland Government and $10m from Brisbane City Council in the three years following its formation in 2002, reporting 582 units as completed, under construction or at committed design stage at the end of that period (KPMG 2005,

p15). BHC reported in 2008 that 596 units have been completed, 111 currently under construction and 189 have design approved or in process of acquisition (Brisbane Housing Company 2008a).

The governance structure of BHC is centred around the maintenance of formal management relationships with its major founding partners, Brisbane City Council and the Queensland Government. It may be characterised as an arm's length model of state government management typical of agencies established by government to operate semi-autonomously. Features of the BHC governance model have resolved some of the limitations of early arms length housing interventions. Milligan et al (2004) accordingly denotes BHC's governance form as 'revised arms' length'. Community shareholders, including community organisations nominated as shareholders by Department of Housing/Brisbane City Council, have the power to approve the Company business plan. BHC's governance model has given the organisation greater flexibility and an orientation to initiate uncommon to other arm's length government entities. BHC's innovation at Kelvin Grove relates to features of its tenancy selection and management policies that apply to the administration of its stock as a whole and so are not particular to those sites.

History and aims

BHC was established to increase the supply of affordable rental housing for low-income households in Brisbane and to address prevailing housing needs that were/are currently not being met by the private rental market or public and community housing. BHC's goals are driven by the need to respond to the broad increase in numbers of households in housing stress and the tightened targeting of social housing. Its response to the housing needs of low income groups in general within Brisbane rests in the failure of Commonwealth Rental Assistance to keep pace with market values in that area. In the years immediate preceding the Company's formation the gentrification of central Brisbane led to the closure of a number of inner city boarding houses (162 between 1987 and 1997): at the practical level, the bulk of BHC's provision has therefore been directed to the development of housing for non-aged singles. BHC's waiting lists contain a high proportion of singles and support its continuing emphasis on the provision of accommodation for singles. This emphasis is reflected in the high proportion of studios and single units within the BHC's Kelvin Grove properties.

BHC was established as a not-for-profit entity in order to capture arising tax benefits (associated with Public Benevolent Institution and Income Tax Exempt Charity status), revenue from Commonwealth Rental Assistance, efficiency gains and potential private investment (KPMG 2005). The need to validate the Company's charitable status and the State government's orientation to tight

targeting of public housing appear to have led BHC to adopt comparatively stringent income-related eligibility criteria (Milligan et al 2004, p79). BHC's provision is more tightly targeted to low income groups that City West Housing Ltd, Australia's other major arm's length government-established affordable housing provider.

BHC manages the procurement, design and construction and maintenance of the housing it provides but has chosen to appoint other agencies to undertake tenancy management. BHC retains control of core tenancy management matters including tenant selection, management of the waiting list, short-listing applicants to available properties.

BHC has offset the negative economic effects of its high volume of low income tenants on Company cash flow and economic risk through a novel rent-setting device. Rents are based on 74.9 per cent of market value, rather than a proportion of income as is typical for affordable housing. The effect of this policy on the numbers of tenants paying over 30 per cent of their income is closely monitored. BHC has retained charitable status despite renting properties above the 74.9 per cent threshold through an agreement with the Tax Office which recognises the difficulty of valuing boarding house style accommodation. BHC is permitted to rent such properties at up to market value while retaining charitable status (KPMG 2005, p19).

Development Process

The lots allocated for BHC-supplied housing were identified at the master planning stage and their development guided by the Kelvin Grove Urban Village project partners, Department of Housing and Queensland University of Technology (QUT), in accordance with the plan. The master plan included rigorous guidelines for individual buildings, and set high standards in respect to sustainability values for all types of development within the Village. BHC took the role of developer for the Kelvin Grove affordable housing projects. The Company `routinely employs an architect and quantity surveyors and submits project proposals to a Property Development Subcommittee. Once approved, tendering and project management is overseen by BHC's Development Manager. In the case of proposals for Kelvin Grove, approval was required firstly from the Kelvin Grove project partners and then Brisbane City Council.

BHC has tended to use medium-sized construction companies which have been found to be 20 per cent to 30 per cent cheaper. The higher exposure of small companies to changing market conditions caused one to become insolvent, producing some rise in the expected unit costs. BHC did not suffer

consequences from the collapse of the builder and had delivered all projects to the anticipated timeframe and cost up to the time of the KPMG review in July 2005 (p77).

Tenancy selection

BHC takes the majority of its referrals from the Department of Housing: 89 per cent in 2005, currently 100 per cent (Brisbane Housing Company 2008b). Applicants self-referring to BHC are placed on a bulk wait list compiled by the Department. BHC holds responsibility for eligibility and entitlement checks for tenants who are offered a place. Final selection from the bulk list is made by BHC according to relative need, best fit of applicant to social mix within available properties and other factors.

Tenancy management

BHC-owned housing is managed by community housing associations under contract. The eligibility of BHC tenants is annually reviewed to note changed circumstances, such as a permanent increase in income. This policy affects a small proportion of tenants. In mid-2005, no-one had lost entitlement to their tenancy due to this provision. Tenant participation in management decisions is encouraged through management agreements with the managing agents, the majority of which are community organisations. Agencies managing tenancies on behalf of BHC are required to provide copies of policies and procedures encouraging communication and tenant participation in management decisions.

Asset management

BHC aims to become a self-sufficient entity by covering costs operating, management and maintenance costs from rental revenue. A target of a three per cent property yield (annual net rent, excluding development and depreciation costs) is aimed for to cover overheads and sinking fund obligations. A portion of this surplus serves as a buffer to risk and, if accumulated, may be used to finance future expansion.

Outcome summary

Of the not-for-profit affordable housing providers, BHC has facilitated the most rapid provision of affordable housing in terms of volume of housing provided, producing some 596 units in the period between formation in 2002 and 2007-08. The 156 units of the Kelvin Grove Urban Village form a substantial portion of BHC's total output to date. Integrated within the State Government's planning

showpiece, the Kelvin Grove Urban Village, BHC's housing units within the Village complement and extend the capacity of that development to realise sustainability objectives, as identified in the planning guidelines for its master-plan (see Appendix 3). The realisation of macro planning objectives for the development as a whole are reflected in the individual bodies of housing provided by BHC, parameters for which were set by the plan. In respect to ecological sustainability, for example, the master plan design guidelines require a minimum efficiency rating whereby all residential buildings required to achieve a minimum 4 star rating under the (pilot) Green Star Educational Tool or achieve a minimum of 50 points from the BCC Sustainable Home Checklist for Units and apartments. These and other mechanisms of the master planning process have been instrumental to the success of the Village project, the significance of which was recently acknowledged through the granting of the 2008 Planning Institute of Australia National Urban Planning Achievement Award National Award for Urban Planning Achievement. The award was made in respect to the provision of affordable housing within the Village and in regard to the contribution made by BHC and its contract architects, named as joint recipients of the award.

Ecological design features include the channelling of roof water into tanks; breezeways and balconies to minimise use of clothes driers; low numbers of car spaces to encourage public transport use; minimal external paintwork; drought resistant plantings (80 per cent species from local area); naturally ventilated bathrooms; ceiling fans installed; use of low toxicity materials (eg. Linoleum, wool carpet); centralised gas water heating; use of insulation and building mass to produce high energy efficiency rated buildings (Evans 2007). A 34 per cent reduction in greenhouse gas per apartment is cited by the Kelvin Grove Urban Village *e newsletter* of December, 2007 (Kelvin Grove Urban Village 2007a). Development of the Village overall enabled 70 per cent recycling of materials through transfer of unused army builds, and recycling of timber and masonry.

Financial sustainability of the holdings of BHC is assured by the meeting of capital project costs by up-front grants. Rental income from the Kelvin Grove units is used in the manner for BHC properties in general, to support property maintenance and administration. Milligan et al. notes that while this approach allows for sustainability of the housing stock itself, that replication of further stock is dependent on its further capitalisation by the state. Nor has the model attracted private finance to date, despite this being a stated founding objective if the 'revised arms length' approach of BHC.

BHC's atypical rent-setting approach provides some additional risk, both in relation to individual tenants with particularly low income (exceeding the 30 per cent desired maximum ratio of income/rent) and in relation to property in locations subject to rises above market average. BHC has mitigated risk to its charitable status posed by individual tenants paying more than 74.9 per cent market rent through a negotiated exemption with the Australian Tax Office applying to boarding house style accommodation. It has tempered its rent-setting criteria to prevent pricing its rents beyond what is affordable to its body of tenants on average - a policy which may well reduce the rents of Kelvin Grove levied at one bedroom = $172; two bedroom = $232 according to standard BHC rent policy (Brisbane Housing Company 2008c). Its attempts to drive down costs have encouraged its construction of units of generally smaller dimension than are regarded acceptable for public housing tenants.

Subject to BHC viability, affordability ranges for rents will be determined by BHC and will be broadly based on the assessed average affordability range on an annual basis to ensure continued affordability of rents to BHC tenants and potential tenants. BHC compensates for a perceived risk to its legitimacy by reference to tenant satisfaction surveys. Its specialisation in accommodation for singles has led to the development of a unique product which balances client needs with BHC's intent to obtain the maximum number of units . The resulting product serves as a bridge between boarding house and independent accommodation and may play a role in raising client expectations of quality of accommodation, as noted by BHC (Cant 2006).

The Village project as a whole addresses many issues bearing on social sustainability including the provision of long-term employment infrastructure and a reduction in travelling times through reduced proximity to Brisbane CBD and provision of services and industry at Village hub, and partnership planning which is leading to incorporation of QUT interests in features of the master-plan, such as student accommodation and a communications industry centre. The inclusion of affordable housing within the Village—itself a foundational component of the Village project as a whole stemming from Department of Housing role as land owner—is justified within an holistic planning vision which promises many benefits to the communities immediately surrounding the site.

At the level of the landlord-tenant relationship, although BHC engages directly with tenants only when allocating housing, its two tiered shareholder structure (three ordinary shareholders and 15 community shareholders) institutionalises participation from a large number of community and welfare organisations and allows tenant perspectives to be included. Contractual arrangements also

direct organisations undertaking tenancy management to show processes which encourage tenant participation.

Implications for other settings

Two bold gestures of centralised intervention distinguish the Kelvin Grove Village Project and may limit the model's transferability. Firstly, the formation of the project partnership between government entities allowing the consolidation of 17 hectares of underdeveloped land; secondly, the establishment of the Brisbane Housing Company as a revised arm's length not-for-profit provider with an initial budget allocation of $50m state funds. The success of the project in relation to affordable housing, planning for sustainability and other social planning outcomes, underscores the potential of a centralised and well-resourced planning process.

The scale of the State Government's contribution was significant, terms of financial support to BHC, establishment of a legal framework to support BHC and its carriage of the Kelvin Grove Village Project. Brisbane City Council also played a number of important roles through:

□ Direct contribution of a portion of consolidated land - land and supplementary cash contribution to value of approximately $10m;

□ Identifying housing needs in an inner-city area through social planning assessments;

□ Establishing the partnership with the State Government providing the institutional basis for BHC as well as ongoing support and effective informal links to the two tiers of government;

□ Contributing to Village master-planning process;

□ Serving as the consent authority.

The Kelvin Grove model offers transferable aspects of innovation, particularly in that it combined a degree of affordability and sustainability outcomes within budget. The innovative model of rent-setting while negotiated with the ATO, has created a taxation template which other affordable housing companies may be able to utilise.

Case study 3. Willoughby Council, Community Housing Ltd and the Association to Resource Cooperative Housing: Barton Rd, Artarmon. Debt-equity model

Overview

The project providing affordable housing at Barton Rd, Artarmon, is one of the small number of projects attracting support from the NSW State Government's Affordable Housing Fund in the three years of the $48 million Fund's operation. This falls under the jurisdiction of the Centre for Affordable Housing within Housing NSW. On completion, the project will provide a total of 39 units through two stages of construction. The first stage will provide 12 units for sale in the private market. These sales are anticipated to generate a surplus of $1.78m, which will be combined with investments by the project partners ($1.7m from NSW Government plus land contributions from Willoughby Council and the RTA) and leveraged finance ($2.04m) to fund a second stage of construction providing a total of 27 units of social housing. Of these 27, 18 are to be owned by the not-for-profit housing provider, Community Housing Ltd and nine units are to be owned by Willoughby Council. Management of the all affordable housing properties will be undertaken by CHL. A tenant cooperative will form a subsidiary management entity to coordinate tenant participation and community development work, reflecting the involvement of the Association to Resource Cooperative Housing Ltd (ARCH) in the project partnership.

Context

Willoughby Council's Housing Policy was developed through the funding in 1995 of a Local Government initiatives program providing a one year Housing Officer position. The resulting Policy, adopted in 1998, noted that rents were rising rapidly in the LGA, that the area was relatively poorly serviced by public housing (3.5 per cent for Willoughby against a State average of 6 per cent) and that the high numbers of people with special needs risked being forced from the area by housing pressures. A number of bodies of surplus land were identified at this time. Willoughby's early involvement in housing policy relative to other Councils was further reflected in its adoption in 1999 of DCP 23, which contained a provision for inclusionary zoning to require a contribution of four per cent of the total development to the Willoughby Local Housing Program. The Council was one of only three Councils in NSW to embed an inclusionary zoning policy within its LEP before the

Meriton/Green Square test case removed the possibility of a broader application of inclusionary zoning within NSW[8].

Council interest in the development of the Barton St site was triggered by its response to the recently created funding opportunity for affordable housing available through the State Government Affordable Housing Fund Centre, administered by the Centre of Affordable Housing (CAH). Council resolved to forward an expression of interest, to be made by Willoughby in partnership with ARCH, for funds available through the Centre for Affordable Housing. ARCH developed a relationship with the then Victorian-based Community Housing Ltd (CHL) to overcome the limits to its own involvement in new affordable housing in relation to the expression of interest for Barton St. CHL committed to raising the funds for the social capital contribution while ARCH undertook to provide support to develop a common-equity cooperative to manage the properties. The resulting partnership exemplified the community partnership model advocated by CAH and allow as successful proposal to satisfy the 'debt-equity' funding model encouraged by CAH.

History and aims

As a partnership between State and Local Government, the Association to Resource Cooperative Housing and Community Housing Ltd, the Barton Rd project expresses is a partnership in which the consolidation of shared interests around a given course of action can bring net benefit gain to all contributing stakeholders. The aims of the project partners are therefore enmeshed and can be considered together. Willoughby Council's goals in respect to the project flow explicitly from its housing policy and strategic documents. ARCH's goals, indicated in Reyes' (2005) paper, concern opportunities to resolve long-standing issues regarding the status and capacity of cooperatives, contribute directly to the facilitation of a cooperative within the management system and to encourage the Office of Community Housing in respect to its approach to cooperative housing more generally. CHL's involvement in Barton St has played a role in its expansion from a Victorian state-based provider to a national (and in the case of its activities in Timor-Leste, international) non-profit housing provider.

The overarching principles of CAH's debt-equity model is to leverage government funds for affordable housing using contributions of equity from the government, private and not for profit

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[8] Inclusionary zoning provisions in the LEPs of Willoughby, Sydney (in respect to Pyrmont/Ultimo) and South Sydney were consolidated in the State Environmental Planning Policy No.70 – Affordable Housing (Revised Schemes) of 2002. The other pre-existing inclusionary zoning provisions embedded in DCPs of North Sydney and Waverley were not protected, on the grounds that DCP did not constitute sufficient precedence.

sectors. The stated goal of the model is the maximisation of leveraged capital through the combination of project partner resources (equity), one of which must be a not-for-profit community housing provider. CAH's role as administrator allows it control over conditions of affordability, tenancy conditions, asset management and other matters. The financial risk of the project is carried by the community housing provider. Ownership of the resulting housing is apportioned to the community housing provider and other equity partners. Management of the properties is undertaken by the community housing provider.

Development Process

The expression of interest for the Barton St project was commenced in 2005. Discussions between the partners finalising aspects of the proposal to be put to CAH were held over the following 18 months. The partnership's successful tender for the Barton St project followed CHL's provisional registration as a NSW housing provider late in 2007. Further delays are expected as the land has yet to be rezoned (currently Open Space). Negotiations and administrative requirements for the transfer of land held by RTA to have yet to be completed. Once they have been, the question of rezoning will be addressed by Council. This process is contingent on Willoughby's development of a standard LEP as required by the NSW Department of Planning.

Delay in realising the project has escalated building costs and the expected price for units sold has been reduced due to recent changes in market values. Changes to the expected economic outcome have been provided for through CHL's planning model, which allows unit numbers to be varied according to projected economic outcome. Planned unit numbers have been revised from an initial 42 in 2005 to the current 39, the reduced numbers retaining project viability. This method has meant delays have not affected Council or State Government liabilities. When the zoning issue is resolved an updated financial feasibility study will be undertaken, at which point unit numbers may again be revised.

CHL believes the partnership model may lengthen the development process (Yeung 2008). The possible economic risk of delay has, however, been reduced in the Barton St model through a capacity to vary final unit numbers. The additional time given to partnership consolidation and contribution to design has enhances sustainability values and potential to innovate. The project has yet to reached design and documentation stage.

Greater certainty of funding availability, enabled by the Affordable Housing Fund's three year funding rounds, allows funding applications for projects in early stages to be held back, with the application to be presented at a latter stage, where costings can be more accurate. This might apply to future examples which—like the Willoughby project—can anticipate relatively long processes of development.

Tenancy selection

The agreement between CAH and CHL stipulates that the State Government's investment as a proportion of the total investing equity should be reflected in the proportion of tenants selected by public housing eligibility. Eligibility for CHL housing in Victoria is determined by Victorian Office of Housing public housing eligibility. The social housing of the Barton St project will house low and moderate income tenants (Community Housing Ltd 2007). A tenants' cooperative would, once constituted, play a central role in the selection of tenants.

Tenancy management

An innovative feature of the Barton St model is the role of a tenant cooperative as an aspect of management. ARCH's own research has indicated that tenant involvement in property management issues has often overtaxed the time and personnel resources of housing cooperatives. Cooperatives do however, generate extensive social capital as well as community cohesion and capacity. The tenant cooperative proposed for Barton St will therefore focus primarily on the community development of the tenant body. ARCH will facilitate and support this cooperative and provide training in management and participation of coop members to enable a new secondary management model.

The role of the cooperative will be determined to a large extent by the decisions and skill base of its members. CHL will retain property liability but work with the tenant cooperative to identify the roles it would like to take on and plan to take on in the future. The coop will take a lead role in the selection of tenants to maintain the existing culture of the coop; for example, an artists' coop would assess the curricula vitae of applying artists. Coops may not wish to take on some tasks, such as arrears management.

The rent is set using the method used by CHL in Victoria, and by Brisbane Housing Company. It is based on a discounted market rent of 24.9 per cent and incorporates a `safety net' maximum of 30 per cent rent of household income. This method is not available to community housing providers in

NSW, which are required to rebate rent to maximum 25 per cent of household income as condition of funding as community housing provider. Affordable housing (including that provided by community housing providers) is not, however, included in this category.

Asset management

Irrespective of the final incarnation of the coop's responsibilities, CHL will hold responsibility for property maintenance and debt liability.

Outcome summary

The development of a partnership, initially between ARCH and Willoughby and later consolidated by CHL, has enabled a project proposal that conforms to best practice as identified by the NSW State Government, allowing the release of $1.7m from the NSW Affordable Housing Fund. The combined equity of the contributed land has leveraged $2.04m of investment, achieving a major function of the State's objective to attract additional investment capital to extend capacity to provide affordable housing.

Twenty nine units of social housing are currently expected from the project. The units will house people eligible for public housing at rents marginally higher than public housing tenancies. The planning partnership has combined the interests of three bodies with high expertise in affordable housing and addressed sustainability and affordability in aspects of planning and management model. Risks arising from delay have been offset by capacity to vary project scale. In terms of the likely built outcome, CHL maintains all homes it provides are five-star energy rated and provided with either active solar heating or rainwater harvesting. CHL homes are typically adaptable to people's changing mobility needs.

Implications for other settings

Innovative features of the project will play a part in improving the replicability of local government involvement in affordable housing. The project's capacity to remain viable and respond to changes in economic outlook demonstrates an easily replicable method to ensure a given economic outcome is maintained for a contributing council over a long development cycle. The state government funding allows Willoughby to utilise land it identified in the mid-1990s as possible affordable housing sites in ways consistent with its housing plan and strategy. In this case Willoughby's contribution of land is compensated for by title to nine units. This will encourage other councils to plan for affordable housing and, where opportunities arise, compete for state funds such as the

Affordable Housing Fund to fund specific projects. As with CPP's donation of land in return for affordable units, this is immediately transferable for Parramatta's consideration in looking for ways to support innovation in affordable and sustainable housing without Council wearing financial loss.

The relationship between ARCH and CHL has led to a number of outcomes affecting replication. The Barton St project was the first project announced by CHL for NSW and has been an important element in CHL's transformation from a state-based to a national not-for-profit provider. Its work with ARCH has encouraged its examination of alternative tenure arrangements (such as sweat-equity and share-equity) as well as the exploration of the potentials for a cooperative as a secondary component of management seen in the Barton St model.

Case studies – efficacy and context

The case studies above were selected from a field of successful examples of affordable housing provision by local government (in partnership with other agents) to represent types within that field. Direct comparisons between the examples are of limited use as the models are context specific. Given that they individually satisfy criteria of viability, sustainability and affordability they each can be said to represent an effective application of a particular model within their context. The examples they provide nevertheless allow some important general conclusions:

- ☐ Local government bodies can work effectively with not-for-profit housing providers to provide affordable housing;

- ☐ They can do so at modest cost. The three case studies all involved a council contribution of land. The councils all maintained dedicated housing personnel on staff. (Port Phillip since 1985, Willoughby for an estimated eight years to 2006, Brisbane carried five housing planners for an estimated four years to 2006);

- ☐ Early organisational work establishing stakeholder engagement and partnerships encourages long term involvement. (Establishment of stakeholder planning steering/reference groups around a particular project proposal was a critical organisational process for all case studies);

- ☐ Development risk can be effectively transferred from a council to not-for-profit provider through contractual arrangements;

- Planning bodies can retain ongoing control of critical outcomes such as affordability and sustainability through master planning processes (PPHC, BHC);

- Economic risk can be further reduced by allowing variability in the size of a housing project;

- A not-for-profit provider can utilise lower production costs from tax incentives while being able to access Commonwealth Rent Assistance claimed by clients to supplement rental income;

- Councils which wish to demonstrate that a project has been undertaken at no cost to the community can retain title to units to the value of land they contributed (Willoughby, Port Phillip Housing Assoc/Port Phillip Council);

- Local government input into affordable housing enhances the sustainability of a project by considering it within a local government social planning framework;

- Councils have successfully utilised their purchase over affordable housing partnerships to model best practice sustainable design to their community. The affordable housing companies are also showcasing innovation in sustainable design;

- Validation of a intensive affordable housing intervention by a local body may be enhanced through its strategic role within an extensive intervention (eg. Targeting to housing for particular social groups or key workers; initiating projects as demonstration projects or in key locations; contextualising project within regional or state advocacy program).

The case studies further encourage some conclusions of a locationally specific nature, with implications for other similar settings:

- The sustainability of an high-level intervention program is highly dependent on the level and stability of community support it enjoys;

- Community support is more likely in areas where a social cost of low housing affordability is evident. Abrupt gentrification was cited as an important factor for all case studies, low ratio of public housing cited for Port Phillip and Willoughby;

□ There is a dialectic relationship between council intervention and public interest or expectation. Port Phillip and Brisbane Council have convened public forums on gentrification and housing/homelessness respectively. Utilisation of this relationship may have helped build and stabilise support for Port Phillip's program over the long term;

□ Mixed tenure and income projects which depend on sales into the private market for viability such as Inkerman Oasis and Willoughby, can be designed to realise socially sustainable outcomes;

□ Master planning processes, where applicable, can allow affordable housing to be sustainably integrated within an holistic response to environmental, transport, employment and other infrastructure considerations.

6. Parramatta feasibility analysis

Site selection

Many characteristics of the models documented in the case studies were strongly influenced by the potential and limitations of the sites made available for their development as affordable housing. The features of a given body of land—its size, location and the characteristics of the surrounding community—played an important role in how the sites were utilised by local bodies for affordable housing. To assist consideration of the feasibility of the best available model within Parramatta, Parramatta Council identified four bodies of land in its possession with potential as sites for future affordable housing projects, shown in table 5. Council staff provided the project team with a document containing summary details (zoning, parcel conditions), aerial photos and maps of the sites identified (Parramatta City Council 2008). Council officers accompanied the Urban Research Centre project team on inspections of the sites. The sites were considered in relation to amenity of the property itself and of the immediate vicinity, accessibility and range of amenities (such as schools) in the locality, volume of equity represented in the land, size of land parcel, and risks arising from possible need to mitigate flood risk, site contamination or community opposition to site development. This process identified 23 Elizabeth St, Granville as the best site with which to initiate a program of affordable housing provision. The scoring process for the sites is shown in Table 6.

Nominated site: 23 Elizabeth St Granville

Formerly a maintenance depot for Granville Council, the Elizabeth St site is now surplus to the needs of Parramatta. It is a large site of 4,222m^2; currently estimated at a value of $3.128m and represents a significant contribution of equity with potential to attract state and private investment. Its size also offers economies of scale for planning, design and construction, potentials for tenancy management and good opportunity to access NRAS or HAF incentives. The land is flat, undeveloped and accessible through frontages on two streets and a path through open space. Site amenities include:

☐ Located in a quiet street;

☐ Adjacent to parkland via two aspects so limited overshadowing or compromise to privacy of neighbours;

	Elizabeth St, Granville	Eve St, Granville	Spurway/Pearce St, Ermington	14 King St, Dundas Valley
Benefits (High=5, Low = 1)				
Amenity of site	5	5	3	1
Access to amenities by public transport	5	3	3	2
Extent of accessible amenities	5	3	2	2
Relative value of equity contribution	4	1	5	1
Risks (Low risk=5, High risk=1)				
Risk of objections	4	4	1	4
Risk of costs arising from contamination	3?	4	4	5
Risk of costs due to mitigation of flood risk	3	4	5	5
Existence of easements	n/a	n/a	n/a	n/a
Need to rezone	No. Current 'special purposes' transfers to res.	No. Currently zone 2e	No. Currently zoned 2b, residential.	No. Currently zoned 2b, residential.
Total scores				
	29	**24**	**23**	**20**

Table 5. Relative benefits/risks of Parramatta sites available for affordable housing

□ In an area of currently high amenity (library, swimming pool, shops, schools, station) which is expected to further improve through the planned development of the community hub adjacent to the Granville transport interchange. The hub is 600m to the north (10 minutes at moderate walking pace). Its also accessible by a short walk and bus trip along either The Avenue or Blaxcell St. The Avenue is designated as a bicycle route;

□ Rosehill Public School is the closest public primary school at a distance of 200m away – a three-minute walk;

- Granville Boys High School is the closest public secondary school at 300m away – a five-minute walk;

- Offers access from three sides, presenting a large range of design options;

- Currently zoned Special Uses (5) which allows for its automatic transfer to residential zoning.

Of the sites considered it is *least likely to attract community opposition* as:

- The tenants housed in the affordable housing would be of a similar demographic profile to their neighbours. The majority of Parramatta's public housing in located in the Granville arm of the Parramatta LGA;

- The development of the site from its previous role as a Council depot would be likely to be regarded as an improvement to local amenity through its potential to improve local aesthetics and provide more 'eyes on the street' than the existing vacant lot;

- Isolation of the site from immediate neighbours (by road width and open space) minimises potential for inconvenience from construction, tenant noise, loss of privacy or shading.

Potential disadvantages of the site are its Flood Prone status and unresolved questions regarding possible soil contamination arising from its use as a depot for over 60 years.

An architect with experience in affordable housing design was engaged to sketch a design of a suitable project, with a view to maximising the numbers of housing units within a design while also considering factors of affordability and sustainability. Modelling the site was seen as an opportunity to encourage innovative possible integration of affordability and sustainability in the rapidly growing City of Parramatta through the following brief:

- Produce the maximum yield of units from the site while maintaining high quality living spaces, both private and shared;

- Provide a mix of accommodation types and bedroom numbers (ranging from one- to five-bedroom with the majority being two- and three-bedroom) to encourage aging in place and a diversity of tenant groups;

- Create appealing shared facilities and community spaces throughout the development such as a shared kitchen and dining facility, community gardens, childcare, shared workshops, resource room, places to casually sit and chat;

- Create a porous development which links the surrounding green spaces;

- Allow off-street parking in a peripheral area at the rate of 1 car per dwelling, provide amenities such as dedicated bicycle parking and maintenance space/shed to encourage the use of cycling as an alternative means of local transport and to link with public transport;

- Respond to the density of the surrounding area, it is not necessary to respond to Parramatta Council's DCP.

- Provide an alternative to the surrounding 'baked earth' style of medium-density development through the generous use of green spaces including roofs.

- Incorporate the principles of environmental sustainability in the design of the development prioritising passive heating and cooling, the use of solar energy, the collection of rainwater, the re-use of greywater and extensive green spaces including roofs and incorporating native and productive food landscapes.

(Brief prepared by Hugo Moline, Architect, 26 March 2008)

Assumed broad model parameters for feasibility assessment

A hypothetical model of affordable housing was assumed for the purpose of assessing the form and feasibility of support from Parramatta Council. The features of the model are consistent with recommended best practice as advanced by Milligan et al (2004) and the NSW Centre for Affordable Housing. The model is based on:

- Council's involvement being limited to setting the design parameters for an affordable housing project on the Elizabeth St site to ensure the affordable housing it provides remains in use as such;

- Council contributing land in exchange for title to units to the value of its contribution;

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□ Design, development and management of the project and affordable housing arising being undertaken by a not-for-profit housing provider;

□ Access to National Rental Affordability Scheme incentives or Housing Affordability Fund by developer.

Proposed model for 23 Elizabeth St, Granville

Site diagrams for the proposed re-development of the Elizabeth St site are provided in Appendix 5. The proposal consists of:

□ One five-bedroom units (or four + granny/teenager living);

□ Five four-bedroom units (or three + granny/teenager living);

□ Six three-bedroom units;

□ Nine two-bedroom units;

□ Nine one-bedroom units (senior living) apartments;

□ Total of 30 housing units;

□ Community facilities and spaces – kitchen, dining/multi-purpose room, meeting, workspaces, laundry facilities;

□ Room for up to 36 car spaces; preferably less with undercover/enclosed bicycle parking/maintenance facility.

A second option is also considered where some of the community facilities are converted into an additional seven two-bedroom units.

Feasibility study findings

A development consultant was commissioned to provide detailed costings of the two options. The consultant proceeded using the following methodology/assumptions:

□ Costs were sourced from Rawlinsons (2008);

- Today's costs were used – it doesn't include a provision for rising costs;

- There are only provisional costs set aside for any contamination on the site;

- Per dwelling costs are larger than traditional medium density developments because of the sustainability elements built into the model, the provision of communal space and provision of a lift to assist accessibility.

The cost assumptions are shown in Table 7.

Item	Per dwelling costs	Total costs
Construction costs per dwelling	$183,000	$5,490,000
Other items (parking, drainage, solar collectors)		$1,041,000
Hydraulic Lift		$150,000
Communal facilities	$53,000	$1,580,000
TOTAL	**$275,000**	**$8,261,000**

Table 6. Cost assumptions for the Elizabeth St site
Source: Estimates provided by Stewart Lawler, consultant.

In the second option, if the majority of the communal facilities are converted into two-bedroom units, the per dwelling cost reduces to $210,000 per dwelling because of the reduction in the costs of communal facilities as well as the increase in the proportion of smaller dwellings in the development.

In undertaking the feasibility study based on these cost estimates, a number of assumptions were made about interest charges, the equity injection from the non-profit, and the revenue stream available from rents. These are detailed below:

- Financed by an interest only loan at 8.5%;

- Inflation is running at 3%;

- NRAS subsidy of $8,000 per dwelling is available;

- The three-, four- and five-bedroom units are sold to help fund the construction costs

- The not-for-profit contributes some equity to the project;

- The average market rents for the 18 retained dwellings is $300 per week;

- ☐ Maintenance sinking fund per dwelling is $1,200 per annum;

- ☐ Recurrent maintenance is $300 per dwelling;

- ☐ Rates and insurance are 1.2% of dwelling costs;

- ☐ Vacancies are set at 2% per annum;

- ☐ Bad debts are set at 2.5% per annum.

Two scenarios were modelled. The first is what is called a full co-op model where the full allocation of communal space is retained, the 12 larger units are sold and 18 smaller units are retained and managed by the not-for-profit partner as affordable rental housing (rented at 80% of market rent or less). Under this scenario, the not for profit needs to inject $990,000 in equity and borrows the remainder using an interest only loan, is able to make repayments on the interest-only loan using the annual surplus. The not-for-profit retains ownership of the 18 dwellings. The council could retain ownership of this communal space. The not-for-profit would need to refinance the properties at the completion of the ten-year NRAS time period.

Under the second model—the maximum yield model—the shared and community spaces and facilities are significantly reduced and the space used to construct an additional seven two-bedroom apartments which are retained in Council ownership as compensation for the provision of Council land. Council could rent these properties at market rents or ask the not-for-profit to manage them using an affordable housing rent. This scenario also reduces the average construction costs per dwelling (since much less communal space is constructed) which allows the equity requirement of the not-for-profit to reduce to $350,000. Again the not-for-profit would need to refinance the properties at the completion of the ten-year NRAS time period.

Note that whilst the second model had increased financial benefits, part of the desired outcomes of the project is sustainability. A co-op model generates a number of additional sustainability benefits. Provision of a mixed-use development combining affordable housing with a range of shared resident and community spaces and activities represents an innovative approach to affordable and sustainable housing that can deliver multiple outcomes. When designed in partnership with intended or potential residents and residents from the neighbourhood, such developments can become hubs of local community identity, activity and enterprise. These can include resident or neighbourhood spaces for work, meetings and recreation. In Australia, mixed-use housing cooperatives have included community spaces for growing food, holding neighbourhood meetings, sharing meals, having film

nights and running sustainability education facilities (Crabtree 2006). In countries where the cooperative housing and cohousing sectors are larger, onsite spaces and activities have included workshops, darkrooms, food storage, bicycle maintenance, play rooms, guest rooms and community childcare (Crabtree 2006). The strength of such developments is underpinned by community involvement in design from the onsite and ongoing participation in management of the housing. This ensures the appropriateness of the built form to need and develops the community ownership required for the development to be socially sustainable. Port Phillip Housing Trust successfully undertook such community-based planning in their Argyle St affordable housing project, which also incorporated resident artworks into the design (PPHA 2006).

This scheme is structured in such a way that no other subsidy funds (other than NRAS) are needed. This provides additional certainty for the project. However, the scheme may wish to apply for funding from the debt-equity program of the Centre for Affordable Housing through the Affordable Housing Innovation Fund. If such an application was successful, a larger number of units could be retained. The injection of these funds would also reduce the risk and the debt servicing costs of the not-for-profit provider. It could be expected that at least $2 million might be provided from the fund allowing all the three-bedroom properties to be retained as affordable housing units.

Table 8 lists the selling prices of the larger units. These selling prices were selected after reviewing the last twelve months of sales prices for Granville, obtained through the Australian property monitors.

The details of the calculations are provided in Table 9.

The assumed model developed for this feasibility study has capacity to be framed in a way favourable to the draft federal Housing Affordability Fund's selection criteria. In terms of 'value for money' (criterion 1), the saving arising from cost reductions to new developments (due to the effects of the Fund's contributions) may be passed to a not-for-profit housing provider, as the 'homebuyer', just as to an individual 'mum and dad' purchaser. This saving would, in this case, bring the additional social benefit of increasing the capacity to the social housing provider in question. A not-for-profit's orientation to retaining any surplus from any future sale of the property would ensure some effect of the Fund's contribution was sustained in perpetuity.

Dwelling type	Sales prices
3 bedroom unit	$330,000
4 bedroom unit	$375,000
5 bedroom unit	$425,000

Table 7. Sales Prices, larger dwellings
Source: Estimated by authors after reviewing last twelve months of sales prices in Granville obtained from Australian Property Monitors.

A case for the use of a 'leading practice model in respect of planning and/or development application' (criterion 2) can easily made for the planning of an affordable rental housing project involving local government as the field of existing such interventions in Australia is currently small. This project's core concerns of sustainability and accessibility are explicitly encouraged by the Fund (criterion 5) and actively favour a local government initiated affordable/sustainable housing project. Precedents of local government/not-for-profit partnerships with high sustainability values are discussed in detail in the case studies.

The National Housing Affordability Fund therefore holds potential to provide additional opportunities for affordable rental housing projects within the Parramatta LGA. The Willoughby case study discussed above, shows how costs of site remediation for a case of urban regeneration may be met by a contribution from the Fund, with the saving to the developer being passed on to the purchaser. Such a scenario may have immediate relevance to the Granville site, should the need for soil quality testing or remediation arise. The Fund's focus on sustainability, affordability and innovation suggest it may also prioritise projects which create new pathways to home ownership status, such as share-based cooperative ownership. In such a model, the savings produced via the Fund would be passed on to the cooperative, which could then charge lower share or occupancy fees. Development of such models fosters the sustainability of affordable housing mechanisms by moving toward the creation of an affordable housing submarket at scale.

Summary

This section has reviewed some potential council-owned sites in Parramatta City and selected the most suitable site for investigation. This investigation consisted of obtaining concept plans for a sustainable affordable housing development, featuring an innovative scheme that involved the integration of affordability and sustainability.

	Co-op model	Maximum yield
Total apartments	30	37
Retained by Council**	0	7
Sales	12	12
Not for profit	18	18
Capital		
Total costs per dwelling	275,000	210,000
total land and construction costs	8,250,000	7,770,000
Equity from sales*	4,280,000	4,280,000
Residual	3,970,000	3,490,000
Non-Profit equity	990,000	350,000
Amount of loan	2,980,000	3,140,000
Recurrent		
Rents per week***	240	240
Annual	12,480	12,480
Sinking fund	21,600	21,600
Maintenance	5,400	5,400
Rates and insurance	56,925	43,470
Total outgoings	83,925	70,470
Total rent (incl. vacancies & bad debts)	214,644	214,644
Management fee	10%	10%
Total NRAS subsidy	144,000	144,000
Net rental revenue (incl. NRAS Subsidy)	253,254	266,709
Financial		
Interest rates	8.5%	8.5%
repayments (interest only)	253,300	266,900
Profit/Loss for non-profit	-46	-191

*revenue risk and financing carried by not for profit

** in co-op model the Council could retain the community space

*** note these are 80% of market rents

Table 8. Detailed financial modelling - two Elizabeth St scenarios

These plans were then costed and a feasibility analysis undertaken under two different scenarios:

1. A co-op model which involves the maximum amount of shared and community facilities which yield 30 dwellings;

2. A maximum yield model where the community facilities are reduced and the yield increased to 37 dwellings.

The feasibility model assumed that:

□ The development had access to the subsidies available from the National Rental Affordability Scheme;

□ Was managed by a not-for-profit who injected equity into the project;

□ 12 of the largest dwellings were sold to help fund the project;

□ The balance of rhe project was funded by debt finance;

□ In the maximum yield model, Council retains ownership of seven two-bedroom units to compensate for its land contribution. In the other scenario council could retain ownership of the community facilities and spaces.

The financial modelling shows that using standard assumptions about recurrent costs, it is feasible for not-for-profit to service a loan to complete the development under both scenarios.

7. Conclusion: application of findings in Parramatta

Availability of affordable housing is an issue across Parramatta and in many parts of Parramatta housing stress is acute. A local government program of a scale to systematically address the issue in the area could only be sustainable with the support of dedicated recurrent funding. Parramatta Council's interest and involvement in affordable housing research and policy development nevertheless suggests there is adequate support at the political level and the community at large for some form of action.

Determination of strategy

As shows, a small number of councils have committed to direct provision or financial support of affordable housing, supported by a range of complementary strategies; Table 10 presents an assessment of the sustainability of these strategies. The most sustained of these efforts has been that of the City of Port Phillip, beginning with the establishment of the St Kilda Housing Association in 1986. This strategy has produced 535 units which now house over 700 tenants. The Council and has committed to an annual grant of $400,000 to the Port Phillip Housing Association for the next ten years to continue to expand the volume of community housing. Other councils have been involved in the production of affordable housing at a more modest level, either through planning controls or one-off joint ventures. Most have had no involvement at all. A recent study of local government by Shelter NSW (Armstrong 2007) found only ten of the 156 councils (four per cent) in NSW owned or part-owned property being used to provide affordable housing. It is worth investigating the factors that have encouraged some councils to intervene so vigorously against the dominant trend and whether these factors are available to all councils.

	Occasional	Sustainable
Intensive	'Debt equity' dependent projects (NSW) to highlight innovation/best practice	Waverley, Randwick, SEPP 70 and other planning vehicle funded projects
Intensive/ extensive	BHC, CWH projects prioritised by state/regional planning	Port Phillip Adapted to 5 funding regimes/phases

Table 9. Strategy sustainability

This study has identified a number of factors associated with a council's interest and capacity to intervene in affordable housing research, advocacy or provision. An important factor has been the size of the jurisdiction initiating the intervention. Brisbane City Council, one of the largest local

bodies in the country, established the Brisbane Housing Company (BHC) through a partnership with the Queensland State Government in 2002. The release of $50 million State funds for BHC projects, supplemented by a further $40 million, has fuelled the most rapid and high-volume provision of affordable housing in the country to date. The establishment of City West Housing in 1994 in NSW involved a close partnership between State and Federal Governments, with funding of $50 million flowing from the Better Cities Program. City West Housing programs in Ultimo/Pyrmont and Green Square within the boundaries of the City of Sydney have a unique capacity to collect developer contributions through the inclusionary zoning provisions of SEPP 70.

The size of the above local bodies, their close relationship to both state government and 'the big end of town' by virtue of their location in central metropolitan areas has played some part in the fulsome state support of affordable housing for the areas under their jurisdiction. This support was crucial to the creation of the 'arm's length' model of community housing provision represented by the structure, funding model, unique legal framework and scale of the Brisbane Housing Company and City West Housing Ltd. The location of these projects in central metropolitan areas subject to high demand for land is likely to have been the key determinant of the feasibility and political support they have enjoyed. High demand for development opportunities places the development regulator in a strong negotiating position, while high profit and speculative promise of central metropolitan development encourages competing capital to accept a reduction in profit represented by affordable housing levies or other concessions. State investment in community housing in these circumstance has represented a good long-term investment and a relatively low volume of welfare transfer.

A handful of smaller councils in Australia have contributed substantially to the development of affordable housing in areas of more modest development pressure experiencing gentrification due to proximity to city centres or natural amenities. In these circumstances the political processes at the local body level have played a determining role.

The remarkable capacity of the affordable housing program of the City of Port Phillip, located in an area gentrifying by the compound effects of proximity to Melbourne CBD and the picturesque St Kilda foreshore, has been driven and enabled by a consistent and twenty year history of community support for affordable housing intervention. The housing policy stability enjoyed by that council is certainly to be credited to that council's own efforts, which has sustained a wide-spread awareness of the value of its housing program in the community. It is also due in large measure to the relative

stability of the underpinning demographic conditions and the matrix of community issues around affordable housing.

Most councils' involvement in affordable housing has been episodic and opportunistic. For councils making an occasional intense commitment of funds or planning resources, the result has appeared anomalous to the general thrust of council activity. The provisional status and small scale of the NSW debt equity scheme invites councils to engage at such a level, structuring a *non-replicable model* of affordable housing through the dedication of suitable land held by councils, the supply of which is severely limited. The challenges to council planning infrastructure flowing from occasional involvement may prove participation at this level somewhat traumatic for councils. Such a peak of intervention may nevertheless retain a strategic content, serving to symbolise the council's planning capacity, advocacy goals, its willingness to innovate and predisposition to address affordable housing should the policy settings be altered by state or federal governments.

Strategic direction of Parramatta

Selection of a strategy of affordable housing intervention needs to take account of the overarching supporting policy mix, the competition for development opportunities across a given area and the potential for an intervention to be driven and adopted by the community over the long term. Is the proposed intervention strategy in the interest of the community and will it continue to find champions?

The record shows Parramatta City has a well-established and consistent orientation to affordable housing, having commissioned a number of reports on affordable housing in recent years (Hill PDA 2001; Hall and Associates 2003) and produced a Draft Affordable Housing Strategy in 2003. It has maintained a presence in the Affordable Housing Network, convened by Shelter NSW. It resumed its work in this area in 2007 through its involvement in this project and through the co-presentation with Marrickville Council of the symposium *Living Cooperatively: Affordable and Sustainable Housing* in February 2008. The consistency of the Council's interest in the issue indicates a significant depth of concern about housing affordability in the community, upon which a sustainable program of significant intensity can rely on for long-term support.

Parramatta Council's interest in developing the city centre as an employment centre and service hub of significance for the whole of Western Sydney provides an alternative potential strategic component. Such development has potential to accelerate the current pace of gentrification, so

raising the need to ensure the sustainability of existing communities. Parramatta Council has identified the central role of cultural activity in the development of its business centre as 'one of Sydney's key primary centres' (Parramatta Council 2005, p4) and has identified the City's lack of arts infrastructure for most art forms in Parramatta as a key obstacle to its development as a centre relevant to the 'knowledge economy'.

The absence of a specific strategic priority within Parramatta's Draft Affordable Housing Strategy, in conjunction with the sustained interest by the Council in affordable housing, suggests ongoing political support for development of a broadly targeted strategy aimed at alleviating the burden of housing costs on the most disadvantaged. Reducing the size of this target will help create a manageable goal for the community's housing activists. Council's involvement in the consideration of cooperatives and sustainability suggest a sustainable intervention of manageable scale may gain support through the targeting of interventions seeking to innovate new means to empower the communities through their mode of tenure (eg., shared equity, cooperative membership, etc).

Validation for an intensive strategy of occasional intensive intervention for Parramatta may be found in the 'key worker' case for providing affordable housing to selected elements of the workforce. The provision of affordable housing for the exclusive accommodation of identified key workers has been encouraged by consent authorities (such as Canada Bay Council) to draw back service workers displaced from sub-regional labour markets by high housing costs. It may equally be used to attract specifically desired elements of the labour force, such as artists are for Parramatta. An affordable housing program targeting arts workers would inevitably also satisfy redistributional goals of affordable housing, as arts workers typically have very low incomes (Throsby and Hollister, 2003) and sustain their artistic activity through a precarious economic balance between production costs and living expenses and income from artist activity, normally supplemented by part-time work. The existing provision of a bedroom studio unit for an artist in residence within Parramatta Council's Community Art Facility and Artists Studios shows the link between arts and housing policy is already being addressed incidentally by the Council. A mixed-use cooperative model combining onsite work and community spaces with affordable housing is appropriate for accommodating local artists and their families.

The processes generating a political framework and community support for a given strategy and intensity of affordable housing intervention for Parramatta is rightly identified through political process and so beyond the scope of this paper. The engagement of artists as a component of an affordable housing strategy may, however, offer unique communication opportunities to build a

sustainable community base for an enduring intensive strategy of the calibre of the City of Port Phillip's.

There is also a good argument for using an affordable housing strategy to protect long term Parramatta City residents that are starting to be threatened by the merging patterns of gentrification that are appearing in a variety of Parramatta suburbs.

Whilst Parramatta may not have the current level of displacement that are evident in St Kilda/City of Port Phillip, Willoughby and Brisbane, there is an argument for earlier action to preserve affordable housing whilst the costs of intervention are lower.

Moreover, Parramatta, has other factors which may be brought into play. Parramatta City has a strongly stated strategic interest in developing culture as a leading element in its consolidation as a secondary metropolitan hub of greater Sydney. This goal would be complemented by a housing intervention targeting cultural workers as key workers in the desired emerging economy of cultural production. Such an approach would be consistent with redistributional goals of affordable housing provision, as artists' incomes are known to typically be very low. Attraction of a significant body of artists into a body of housing may open additional opportunities for the housing project to develop innovative features such as community spaces and serve as a hub of communication and activity within the local community. Further and more importantly, this would create a model of affordable housing and onsite community enterprise which could then be replicated in the area.

Parramatta's recent interest in the development of cooperative housing may support a further particularisation of its affordable housing provision rationale. There is potential to design a housing project to build on alternate methods of tenancy management. Cooperative tenancy management has a demonstrated capacity to enhance community well-being and connectedness. A housing project established by Council may also play a role in exploring the development of means to transfer or share part of the equity of a project to a tenant cooperative. Such a process would have extensive implications for the development of housing ownership and control by households of limited means.

Approaching the first of Parramatta's ventures in the provision of affordable housing may also be approached as an object of sustainable planning. Community engagement in the questions facing the City of St Kilda played an important role in the social capital developed and utilised over two decades by the Port Phillip Housing Association. The above options are therefore by nature

provisional and to be tested in normal consultation processes. Mobilisation of the stakeholders around a discussion on the long-term direction of an affordable housing program will allow sustainable options to be identified. Such a process could well involve a strong community development component and particularly focus on encouraging the development of existing cooperatives or nascent cooperatives from within the community.

It is also needs to be stressed that whilst the development project at Granville is a relatively small project, the key aim of the project is to provide a platform for an expansion of affordable housing in Parramatta. Undertaking the project would enable Council to assist with the expansion of the affordable housing sector through increasing the capacity of the local Community Housing Sector. Further expansion of the sector could then be undertaken without further direct involvement of the Council. Council could then direct its affordable housing activities at a broad spectrum of affordable housing policies. The project has the added advantage of leveraging subsidies from the Federal and State Governments, resulting in a true Government partnership.

Appendix 1. Comparison between affordable home-ownership mechanisms in the United States.

	Mortgage*	Deed Covenant	Ground Lease
What is the contractual means by which restrictions are imposed?	A provision to recapture the original subsidy is secured by a lien on the property in the amount of the subsidy. These "soft" mortgages are subordinated to the conventional first mortgage.	A restrictive covenant is appended to the deed for land and house. (In condos, it is attached to the unit deed.)	Provisions are contained in the ground lease, regulating the resale and use of structures located on the land.
What kinds of restrictions are imposed?	The only restrictions that can be placed in a mortgage lien are *subsidy recapture* provisions, designed to reclaim the value of subsidies so these subsidies can be recycled for future uses. Restrictions on *use, occupancy* or *resale* cannot effectively be stipulated in a mortgage instrument.	Most deed restrictions control the *price* at which a unit may be resold, define the *eligibility* of the next buyer, and require continued *occupancy* of the unit by the current owner. A few delve into various "use" restrictions as well, but this is less common.	The ground lease contains the same kinds of restrictions on resale price, eligibility, and occupancy found in restrictive covenants. In addition, there are lease provisions regulating maintenance, insurance, mortgaging, subletting, and improvements (among other things).
How long are restrictions designed to last?	Typically, "soft" mortgages are limited to a maximum of 30 years – the typical term for a conventional first mortgage.	Mortgages can have terms of varying lengths. Most deed restrictions are designed to lapse after a relatively short period (e.g., 10 years), although some are intended to be permanent, i.e., "running with the land." In almost every state, "perpetual" deed restrictions are considered invalid as a "restraint on alienation" or violation of the "rule against perpetuities." Some states limit these restrictions to 30 years (sometimes less).	The lease typically lasts for a very long period of time (e.g., 99 years) and may be renewed at the option of the lessee.
How legally enforceable are the restrictions?	A recorded mortgage is a familiar and acceptable legal mechanism – and is commonly enforceable. As mortgages typically are limited to a maximum of 30 years, they are typically not subject to challenges as "restraints on alienation" nor are they subject to the "rule against perpetuities".	Generally, the longer the duration of the restriction and the farther the party imposing the restriction is removed from the property, the less defensible is the restriction. (Enforceability rests on meeting legal tests of "privity," "touch and concern," and benefit to a nearby parcel owned by the same party who is imposing the restriction.) Some states have enacted laws explicitly sanctioning "perpetual" deed restrictions; others have not.	Because the lease term is finite (even if the lease is renewable) and because the lessor has a close and continuing connection to the restricted property, affordability restrictions in a lease are generally more enforceable for a longer period of time than those attached to a deed.
What happens to affordability once the term of the restriction comes to an end?	In appreciating markets, the affordability disappears at the time of resale and repayment of the mortgage.	Upon expiration of the covenant, all restrictions on affordability are removed. The property may then be sold for the highest price that the market will bear.	Upon expiration of the lease, either the lease is renewed (along with affordability controls) or the lessor takes possession of any structures located on the land.

*This corresponds to current Australian models of "shared equity" such as Western Australia's KeyStart. Source: Burlington Associates (2008a).

Appendix 2. Management Agreement (the Agreement) for properties owned by the City of Port Phillip(Council) and managed by Port Phillip Housing Association Inc. (PPHA)

☐ Once development is complete, PPHA is appointed as managing agent for the project;

☐ The Agreement sets out PPHA's property and tenancy management responsibilities;

☐ PPHA is given power of attorney to enter into leases of properties in the project on behalf of the owner (Council);

☐ PPHA is required to maintain a register of prospective tenants and to select each tenant on the basis of being most eligible at the time. Eligibility of applicants is determined with reference to both the requirements of State managed public housing, and applicants having significant links to the Port Philip area;

☐ Council lets PPHA retain all rental income from the property in return for Council having no liability for management or operating costs, including rates, insurance, recurrent or responsive maintenance, cyclical maintenance, and upgrading (except for specified capital improvements). Any surplus revenue can be used to further the aims and objectives of PPHA;

☐ The Agreement and an associated Deed of Consent seek to ensure compliance of PPHA with the terms and conditions of any Funding and Service Agreements between Council and the project funder, usually the Office of Housing;

☐ PPHA must unconditionally indemnify Council against all actions, claims, costs and damages arising from PPHA's breach of the Agreement with Council. Significant causal events might include damage to property, injury to persons, and nuisance to other tenants and/or Council. Similarly, PPHA must indemnify Council against all actions, claims, etc. caused by PPHA's breach of Funding & Services Agreements as specified in the Deed of Consent;

☐ Council has significant powers to terminate the Agreement. Reasons might include unsatisfactory performance of PPHA not rectified within 3 months of notification; actions leading to the investigation and/or possible bankruptcy, wind-up or insolvency of PPHA; and unilateral actions by PPHA to change its governance structure.

(CPP/PPHA 1998 in Milligan et al 2004, p86).

Appendix 3. Inkerman Oasis Development – List of Awards

The project has won the following awards or recognition:

- United Nations Association of Australia World Environment Day Awards 2000, category: Local Government, Best Specific Environmental Initiative;

- Stockholm Partnership for Sustainable Cities Award 2002. This was awarded for the project's social, cultural and environmental sustainability features and the partnership arrangements and was one of 13 international winners;

- Nomination of Inkerman Oasis as a Green Building, showcasing Inkerman Oasis in Oslo, Norway in October 2003 and assessment against the Green Building Challenge Tool (as one of two Australian nominations);

- Save Water Award 2003 (Victoria), category: Sustainable Built Environment-Residential Subdivision/Medium Density/Urban renewal Project;

- National Awards for Excellence in Community Housing 2003, high commendation in the category, Innovation;

- Commendation Award at the year of the Built Environment Exemplar National Awards 2004, Sustainable Communities Category (one of only three entries recognised in this category);

- Howard Desbrowe-Annear Award-Residential, Architect Victoria Awards 2005, (the top residential award for 3 residential categories);

- 2005 National Royal Australian Institute of Architects Special Jury Award.

(CPP 2007)

Appendix 4. Excerpt from Kelvin Grove Urban Village Design Guidelines

Sustainability Snapshot

The Kelvin Grove Urban Village promotes social sustainability:

- ☐ By being and inclusive and welcoming place;

- ☐ Through the variety of housing types, tenures and market groups;

- ☐ With its emphasis on community facilities and shared public spaces;

- ☐ Through the neighbourhood design;

- ☐ By the inclusion of information and Communications Technology to form a wired community;

- ☐ Through the mix of housing with university, retail and other uses.

The Kelvin Grove Urban Village promotes economic sustainability:

- ☐ Through the high quality urban environment created by the location and the extensive infrastructure works undertaken by the Queensland Government and QUT [Queensland University of Technology];

- ☐ Through the mix of residential and university communities;

- ☐ By integrating the new and existing communities;

- ☐ Buy building relationships between the university and industry; and

- ☐ Through a robust and adaptable neighbourhood structure.

The Urban Village promotes environmental sustainability through:

- ☐ Appropriate development of this key inner-urban site;

- ☐ The design of individual buildings, incorporating resource efficient design;

- ☐ The design of park and infrastructure systems which are focused on sustainable outcomes; and

- ☐ The mix of uses and the neighbourhood design, promoting walking, cycling and the use of public transport.

(Kelvin Grove Urban Village 2007b, p7)

Appendix 5. Site schematics for 23 Elizabeth St, Granville

1. Ground floor

Key

B	Bedroom	D	Dining	K	Kitchen	L	Living	T	Bathroom

Overview

This level has entrances and living spaces for houses from 2 to 5 bedrooms, green areas and parking.

Features

- Perimeter fencing but internal open spaces contiguous
- Properties aligned for maximum solar access
- Beige areas indicate individual patio/entrance areas
- Carparking (can include bicycle parking) at perimeter to free up internal open spaces for pedestrian access and social spaces
- Yellow sites indicate possible uses such as cornershop/café and childcare

2. First floor

Key

B	Bedroom	S	Studio/workspace	T	Bathroom

Overview

This level houses studios/workspaces (or studio apartments) on the western face, upstairs bedrooms of ground floor homes and the common house at the southern end of the property.

Features

- Beige areas indicate accessible outdoor areas including green roofs, individual balconies and shared spaces
- Studios/workspaces can be replaced with one-bedroom units depending on community needs

- Common house to include kitchen, dining area, meeting spaces, workspaces as decided by intended resident community; these can be publicly accessible via lift and stairs for neighbourhood events, meals and meetings, etc.

3. Second floor

Key

B	Bedroom	K	Kitchen	L	Living/dining	T	Bathroom

Overview

This level has senior living studio apartments, accessible green areas, rooftop water collection and extensive solar panel arrays.

Features

- Southern row of senior living studio apartments accessible by lift and stairs
- Beige areas indicate individual patio areas for senior living studio apartments
- Green areas indicate accessible green roof spaces

- Extensive usage of solar panels on west-facing roofs
- Views from senior studios to north and south over adjacent open spaces provide security through 'eyes on the street'

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