PIA Policy Position Housing Discussion Paper

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PIA advises that the information contained in this publication comprises general statements based on research. It is not intended to cover all aspects of planning, the built environment and urban development that interact with housing. It is intended to provide background information to inform planning professionals and the PIA Housing Position Statement.
Executive Summary
Housing is a complex policy area that is fundamental to urban development. Planning’s interest in housing goes beyond individual housing issues and links to the sustainable functioning of cities and regions. Housing is an integral element of our cities and can in turn, impact on related issues such as transport and movement, infrastructure, health, well-being, quality of life and spatial inequality.

Affordable, safe, secure, sustainable and well located housing provides one aspect of a liveable city or region and while planning’s interest in housing goes beyond housing alone, the primary focus of this paper is on the current housing situation in Australia and how planning can influence future outcomes for housing and housing policy.

Housing affordability is arguably an implicit normative goal of spatial planning policy across all Australian jurisdictions particularly as it has become a growing issue for Australia’s largest urban conurbations. Opportunities for planning to influence housing outcomes include in ensuring housing diversity, design quality and placement in relation to services and facilities.

It is identified that there are areas outside the direct influence of planning such as the taxation system that play a critical role in the demand and supply of housing. As such the Planning Institute of Australia (PIA) strongly advocates for government at all levels to consider the spatial and city building aspects of policy decisions on taxation and governance and how they can positively contribute to more affordable housing and affordable living options for all.

Purpose
The purpose of this discussion paper is to provide an overview of the current housing situation in Australia and how planning interacts with the provision of housing. It also seeks to identify what areas planning can influence and areas that are outside the remit of planning. This discussion paper also provides background and informs PIA’s policy position statement on housing.

This paper is primarily intended for planners and members of the PIA to provide information and background on the current state of play for housing in Australia and consideration of issues from the perspective of where planning can have an influence.

Concepts such as liveability and broader urban issues that interact with housing, while referred to, are not the intended focus of this paper, these include transport infrastructure, location of employment and community services.
Background
In 2010 the Planning Institute of Australia (PIA) released a position statement on housing\(^1\) and a position statement on housing markets.\(^2\) These position statements responded to issues relevant to housing policy at that time. While some of these policy principles and considerations are still pertinent, it has been agreed that these position statements need to be updated to reflect current concerns and PIA’s new policy framework.

1. Introduction
The provision of affordable, well located, safe, secure and sustainable housing is a critical issue for Australia both now and into the future. Access to safe and secure housing is a basic human right.\(^3\)

While housing provides shelter, it also influences non-shelter outcomes for individual households, such as workforce participation, access to jobs and services, family stability and educational attainment.\(^4\)

Affordability, diversity, supply, housing product types and location are all issues that planners can influence. The connectivity and proximity of housing to other land uses including employment, community services and recreational activities contributes to the health, well-being and economic outcomes for households.

Planning’s interest in housing goes beyond individual housing issues and links to the sustainable functioning of cities and regions. Housing sets the structure of our cities and regional centres, affecting issues such as commuting times and congestion, the cost of infrastructure and the concentration of economic and social vulnerability in outer suburbs.\(^5\)

Embedding comprehensive housing goals within strategic land use policy and planning at the national, metropolitan, regional and local level provides a critical framework to achieve synchronization of housing with employment and services, transport infrastructure, education, recreation and environmental priorities. In conjunction with effective development assessment systems planners are well placed to support the delivery of housing aspirations in the context of sustainable urban environments.

While planning can play a critical role in housing supply, location and quality, the state of the housing market and the affordable housing shortage are complex and multi-faceted, requiring supply and demand policy responses and a coordinated approach across all levels of government.

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3 International Convenant on Economic, Social and Cultural Rights (Article 11), [http://www.un-documents.net/icescr.htm](http://www.un-documents.net/icescr.htm)


What is the housing challenge?

Housing in Australia faces numerous challenges including the provision of affordable housing in suitable locations, ensuring new housing is of suitable design and quality for a diverse population, and that it provides for both sustainable and affordable living.

In Australia, home ownership has long been the preferred tenure and has been supported both implicitly and explicitly by government, with financial support such as the First Home Owners Scheme and Capital Gains Tax discount. Negative gearing has supported investment in housing and contributed to sustained housing price increases. Typically these measures have increased demand without addressing supply side issues. Long-term structural shifts over the past 10 to 15 years have challenged the traditional foundations of home ownership and the risk profile of lending has had to adapt.

Australia's major cities have become increasingly unaffordable over the past two decades, and are considered expensive in a global context. In 2014 the International Monetary Fund identified Australia as the third least affordable place in the world to buy a house.

Housing markets can both exemplify and exacerbate socioeconomic inequalities in cities and regions. Areas that are close to jobs, services and with high amenity generally have higher house and land prices and attract higher income earning households. Lower income households are increasingly concentrated in locations with fewer services and less access to employment. This can contribute to, and exacerbate, social inequality and create imbalances in equity and liveability.

Intergenerational inequities are also gaining pace, as the rates of home ownership continue to decrease for all age categories, except for the post-retirement age group. From 1982 to 2011 the rate of home ownership in the 25-34 year age group declined from 56 per cent to 34 per cent. It has been noted that younger generations are less interested in home ownership and more prepared to opt for inner city rental properties that offer lifestyle benefits, however it is not established whether these choices are due to a lack of options or changing preferences in housing ownership.

The housing continuum illustrates the interconnected options across the housing system, ranging from crisis accommodation at one end to full home ownership at the other. People have different capacities and aspirations and will need varying entry points along the housing continuum, depending on their individual circumstances. For some the final destination will be full home ownership, while for others it will be rental accommodation in either the private

7 Jericho, G. ‘Why Australia is the third most expensive place to buy a house’ The Guardian, Australia. 12 June 2014.
or social housing sectors.\textsuperscript{10}


Crisis housing
Emergency shelters and crisis accommodation provide a temporary housing solution for people experiencing homelessness. There are currently around 105,000 homeless people in Australia, constituting approximately 0.5 per cent of the population.\textsuperscript{11} Transitional or supported housing provides short-term accommodation with access to associated support services. This type of housing can act as a stepping stone to more permanent housing options in the public, community or private market.

Social and affordable rental housing
Social housing includes public and community housing and is rental housing that is provided and/or managed by government or non-government organisations. In 2013, public housing comprised 81.2 per cent of the social housing dwellings and between 2006 and 2013 there was a 3.1 per cent decrease in public housing sector supply.\textsuperscript{12} There is evidence that the demand for social housing remains high, and that supply is not keeping up. As at 30 June 2012, there were over 200,000 households on public housing or state owned and managed Indigenous housing waiting lists across Australia.\textsuperscript{13} Affordable rental housing requires a level of subsidy from a housing provider and/or government. Often such housing is provided at a rate that is discounted below the normal market rental or purchase rate for a particular area.

Market rental housing
The private rental market plays an increasingly important role in the Australian housing system. In 2011, 23.4 per cent of all Australian households rented their housing. Access to affordable rental housing is critical for lower-income households in the private rental market.\textsuperscript{14} Research indicates that overall rates of housing stress among private renters increased from 1981 to 2011. In 2011, 62.6 per cent of long-term renters were in housing stress (with those in the lowest 40 per cent of the income distribution paying more than 30 per cent of income on regular rental payments) and that more than 20 per cent of low income long-term renters regularly pay more than half of their income on rent.\textsuperscript{15}

\textsuperscript{10} Department of Housing (WA), Affordable Housing Strategy 2010-2020, Government of Western Australia, 2010.
\textsuperscript{12} National Shelter, Housing Australia factsheet, Shelter WA, September 2014.
\textsuperscript{13} AIHW, Housing assistance in Australia 2013. Australian Government, Canberra, 2013.
\textsuperscript{14} Gurran et al., New directions in planning for affordable housing: Australian and international evidence and implications, AHURI, Sydney. 2008. pg.3
Home ownership
Traditionally Australians have viewed themselves as a nation of homeowners, and this still remains true for the majority. The 2011 ABS Census recorded that 67 per cent of Australian households are owner occupiers. However the number of households who own their home outright has fallen since 1996 from 40.9 per cent to 32.1 per cent, while the number of households who own their home with a mortgage has increased from 25.5 per cent to 34.9 per cent. Alternative paths to home ownership may include land rental schemes, where purchasers of new house and land packages initially pay “rent” for the land, to then purchase the land over time.

Structural shifts in housing market
Over the past decade or more there have been noticeable structural shifts in the housing market. Shifts in the composition of the housing market include changes in housing type, size, tenure and household size and include changes such as a marginal decline in home ownership, an increase in private rental housing tenure and a decrease in detached housing as a proportion of total dwellings.

Housing type
Housing types are expressed in urban and regional planning as low density (detached) dwellings, medium density (townhouses, semi-detached dwellings, low-rise apartments) and high density (medium to high rise apartments). Historically Australian housing stock has been characterised by a predominance of detached low density dwellings. Detached homes still form the majority of housing stock across Australia, however the ratios are changing with increasing amounts of new construction being medium to higher density housing, with a resultant shift towards a greater percentage of higher density dwellings.

This shift towards higher density housing types is variously attributed to capital city and regional centre strategic plans that emphasise infill housing; better use of infrastructure; rising transport congestion; and the relative attractiveness of smaller, more expensive dwellings in high-amenity and job-rich locations.

There are trade offs for cities and regional centres that are associated with more compact housing, such as less living space, as well as trade offs in providing many detached houses, such as more expensive infrastructure, potentially longer commutes, and higher transport and infrastructure costs. Strategic planning is involved in assessing these trade offs and developing policy that considers these factors and their impact on cities and regions.

House size
New house sizes have grown in Australia with the average floor area of new housing increasing by 2.6 per cent over the 10 financial years to 2012-13. The average floor area of new houses completed in 2012-13 was highest in New

16 AHURI Home Ownership webpage Accessed online 8 September 2015 http://www.ahuri.edu.au/themes/home_ownership#sthash.VAQUrI46.dpuf
18 SGS Economics & Planning, Infrastructure investment and housing supply, National Housing Supply Council, Australia, 2013.
19 Kelly, J.F. Weidmann, B. and Walsh, M., The Housing We’d Choose, Grattan Institute, Melbourne, 2011.
South Wales at 266.2m² and lowest in Tasmania at 200.3m². The Australian Bureau of Statistics has also found that 78 per cent of Australian houses have more bedrooms than are needed to accommodate the occupants. Housing under-utilisation measures, indicate that the vast majority of older people’s dwellings (84 per cent) appear to be significantly under-occupied.

However overcrowding is an issue, in particular for specific groups such as the Australian indigenous population. Overcrowding is described as households that require one or more bedrooms to reasonably accommodate the household size and composition. Indigenous Australian households are more than 3 times as likely as other households to be overcrowded, with 12.9 per cent of Indigenous households compared to 3.4 per cent of other households requiring one or more extra bedrooms to accommodate the people who usually live there. In 2011 the rate of overcrowding for Indigenous households was highest among those living in social housing (23%) and lowest among home owners (7%).

**Housing tenure**

Owner occupancy has long been the predominant form of housing tenure in Australia. Over the decade from 2001 to 2011, Census data confirmed that there was a small aggregate reduction in owner occupation from 70 to 69 per cent, with a corresponding increase in rental. Data also demonstrates a significant drop in the proportion of dwellings owned outright with an increase in the dwellings owned with a mortgage. This may be due to home owners borrowing against their equity to invest in assets such as shares, investment properties, holiday homes or home renovations.

Generally people will seek security of tenure whether through home ownership or rental. Security of tenure or occupancy refers to the degree of certainty a person has about their residential accommodation: the choice to stay or leave; the legal protections they have over their tenancy; and the sustainability of their tenancy in terms of cost and amenity. Security of tenure influences the extent to which households can make a home and stay there for reasonable periods if they wish to do so, provided that they meet their obligations.

A third of all private renters are long-term renters (33.4 per cent), defined as renting for periods of 10 years or more continuously, an increase from just over a quarter in 1994. However most Australian households occupy their current rental property on short-term arrangements (6 or 12 month leases) with little security of tenure because of the terms of the lease agreements and legislative

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21 The Canadian National Occupancy Standard (CNOS) is widely used in Australia to measure under-utilisation and overcrowding.
23 Households that require one or more extra bedrooms to meet the CNOS housing standard are considered to be overcrowded. The standard relates to usual residents; it does not include visitors.
provisions that allow for termination of leases without grounds. Nearly half of all long-term renters are on lower incomes, experience housing affordability stress and have poorer outcomes in terms of satisfaction with their financial situation and social connectedness.

Given that many households in the private rental sector will not make the transition to home ownership, there needs to be assistance to ensure private rental is more affordable, as well as greater provision for secure occupancy. Longer lease terms can provide certainty for vulnerable tenants, including older people and people with disabilities, who might otherwise encounter difficulties in finding safe, affordable and secure housing.

Figure 1 – Households by tenure type

![Households by tenure type](image)

Source: Grattan Institute, Renovating Housing Policy, 2013 (based on ABS 2013 data).

Study of the overarching trends in the distribution of housing tenure in Australia’s larger cities, show that home renters predominate in the centre while outright homeowners are generally found in the middle suburbs. In the outer suburbs new homes are being purchased in the so-called ‘mortgage belt’.

Alternative forms of housing tenure such as cooperative housing can reduce the cost of entry into the housing market and ongoing costs. They may also allow occupants to retain some benefits associated with home ownership such as security of tenure and benefits from investment and maintenance in the property. Discussion of alternative housing tenure models apart from the typical home ownership or private rental is discussed further under Section 5 of this paper.

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28 Ibid


Household size
Australia has seen a trend towards smaller households. This has been a long run trend associated with birth control, education, greater affluence and an ageing population. In 2011 the average household size in Australia was 2.6 people. Family households are projected to have the largest numeric increase from 2011-2036, while lone person households are projected to have the greatest percentage increase.  

Future projections show average household size stabilising at 2011 levels.

Part of the rise in single person households is associated with an ageing population. This type of demographic change can create the risk that the existing dwelling stock does not reflect the needs of smaller and older households in relation to both form and location. Mismatches between what is appropriate and what is available can contribute to affordability pressures if households are unable to choose the type of housing that best suits their current needs.

Government policies such as ageing in place may also encourage older people to remain in their own homes, which can contribute to underutilisation of existing housing stock.

Change in housing consumption patterns
Changes in housing consumption patterns are influenced by a range of factors including house prices relative to household incomes, availability of finance and security of employment.

Increase in houses prices
“Since the turn of the millennium, housing has clearly become more expensive in both absolute and relative terms, as well as in both the rental and owner occupier markets.”

In all major Australian cities average house prices decline in price the further the distance from the CBD. Increasing housing prices generate greater wealth for city homeowners and landlords, but can also exacerbate inequities within cities. Homeowners in areas with strengthening labour markets, such as the inner suburbs of Australia's capital cities, gain from not only access to jobs with higher wages but also increases in property prices.

Spatial inequality, housing and employment
Social disadvantage is being pushed further towards the urban fringe with the potential for this to compound inequality through reduced access to jobs, transport, facilities and services. This also contributes to resultant difficulties in recruiting labour and has the capacity to constrain economic growth.

31 ABS Household and Family Projections Australia 2011-2036 (Cat No 3236.0)
33 NHSC, State of Supply Report: Changes in how we live, 2013. Pg.20
34 Sydney, Melbourne, Brisbane, Perth and Adelaide
36 Department of Industry and Transport, State of Australian Cities 2013, Australian Government, Canberra, 2013. pg.90
37 NHSC, State of Supply Report: Changes in how we live, 2013. Pg.20
State of Australian Cities reports (2012, 2013) have identified that the difference in house prices between the inner and outer areas of Australia’s capital cities is large and continues to grow. A lack of affordable housing in the inner and middle suburbs of Australia’s major cities, means that people do not have equal access to the highly paid and growing job markets in the inner suburbs. This can create spatial polarisation and pockets of social disadvantage.\textsuperscript{38}

A variety of factors exacerbate this situation. Resistance to change from the community and planning limits on the number of new dwellings can contribute to fewer new and affordable types of dwellings being built in the inner and middle ring suburbs that could allow more residents to live closer to good jobs. Developers and builders may also face disincentives to address housing shortages in these locations.\textsuperscript{39} Traditionally home ownership was an equalizing force in Australia, however there is concern that this is changing. The crisis in housing affordability has coincided with short term NIMBYism which has exploited the lack of informed debate about the need for new housing, resulting in a situation where existing home owners effectively restrict the possibility of home ownership and shelter for others.

2. Factors influencing the provision of housing

The housing market is influenced by numerous demand factors including household growth, income, tax concessions and finance availability. Factors influencing the supply of land include the availability of land, land development process and policies, infrastructure costs, the cost of construction and property related taxes.

Factors impacting on the provision of housing include the demand and supply factors outlined below.

**Housing demand**

Housing demand is influenced by factors such as:

- household growth (in turn, affected by natural increase, immigration, household formation)
- income - real incomes; real wealth
- tax concessions to both owner-occupied and rental housing
- finance - cost and availability of finance for housing; and the institutional structure affecting housing finance provision.

Housing demand theory identifies two aspects of housing demand:

**Underlying demand** – which is the theoretical ‘need’ for housing based on the number of households in the population. The level of underlying demand is driven predominantly by migration and demographic factors.

**Effective demand** –the number, size, type and location of dwellings that owner-occupiers and investors are willing and able to buy in the housing market.


This is affected by the full range of market forces – including the number of households, incomes, prices, the economic situation, availability of finance and the current supply of dwellings.\textsuperscript{40}

In relation to effective demand it should also be noted that the literature on housing preferences covers both ‘stated’ preferences (surveys of what sort of housing people say they would like) and ‘revealed’ preferences (what people actually choose).

New mortgage commitments can be an early indicator of changes in market demand. The recent Australian experience has shown a decline in mortgage commitments following the immediate aftermath of the Global Financial Crisis (GFC) in 2008, followed by a spike in 2009 stemming from economic stimulus that targeted the building sector. Since then there has been more subdued market demand from the owner occupier sector.\textsuperscript{41}

\textbf{Figure 2 – Selected House Price Drivers}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2}
\caption{Selected House Price Drivers}
\end{figure}

Source: Grattan Institute Renovating Housing Policy, 2013.

\textbf{Housing supply}

The provision of a sufficient supply of housing to meet demand can influence dwelling prices and can result in prices increasing when demand outstrips supply. Factors that can impact on the cost of housing provision include the availability of land; land development processes and policies; infrastructure costs (including development charges); the cost of construction; and property-related taxes.

Some developers argue that the primary driver of house prices is the rate of supply of new housing, which in turn is primarily driven by land supply. However

\textsuperscript{40} National Housing Supply Council (NHSC), \textit{State of Supply Report 2008}, Australian Government, Canberra, 2009.

the supply of land is only one factor that affects house prices, others include equity prices, real interest rates, unemployment and inflation.

Construction costs are typically greater on a per square metre basis for buildings over four storeys high, due to material and labour costs. Medium to high rise buildings generally depend on steel and concrete, whereas low rise dwellings are typically constructed using light weight construction methods. Other costs for high rise apartment buildings can include underground excavation, lifts and cranes.

Labour costs vary depending on building type. Detached dwellings and low rise multi-unit dwellings are typically built by small to medium-sized building businesses and sub-contractors. However buildings over four storeys are classified as commercial projects and require a highly organised workforce, which can be more expensive.42

Development standards may also impose costs on housing, such as car parking requirements, which add to the cost of housing provision but may be able to be reduced or waived in locations with high levels of public transport accessibility.

**Demand-supply gap**

The demand-supply gap considers the balance between the ‘underlying demand’ for housing and the current housing supply. The National Housing Supply Council (NHSC) reported in 2013 that the housing shortfall had continued to widen in 2010-11 and the Council estimates were that underlying demand growth outstripped adjusted net supply by 28,000 over the year, taking the cumulative gap to 228,000 dwellings. At this time the national housing shortfall was expected to increase further in future years under most projection scenarios for underlying demand and supply growth. Under the medium demand and supply growth scenarios, the housing shortfall was expected to rise by around 141,000 in the five years to June 2016.

NHSC reporting at a state or territory level noted aggregate shortfalls in some jurisdictions such as Queensland, Western Australia and New South Wales and virtual balances in other jurisdictions such as South Australia and the ACT. However these aggregate figures cannot be assumed to apply to all localities, tenures and population subgroups: as there are likely to be undersupplied submarkets within states and regions that seem to be in balance at an aggregated level. The demand-supply balance is also influenced by the cyclical nature of the housing market, which can fluctuate, as population changes, prices increase based on labour and material costs and a range of other factors which may influence the demand-supply gap.

**Mismatch between demand and supply**

There is evidence that a proportion of the current housing stock is unoccupied at any point in time due to housing being used as holiday residences or being stranded by the movement of economic activity and jobs.43 According to the 2010 Household Income and Labour Dynamics in Australia Survey, roughly 1 in 6

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42 Kelly, J.F., Weidmann, B., and Walsh, M., The Housing We’d Choose, Grattan Institute, Melbourne, 2011.
Australian households own two or more properties, and for 30 per cent of these households the second property is a holiday home.44

Research by the Grattan Institute has identified a mismatch between housing stock and the housing people say they would choose in Australia’s two largest housing markets, Sydney and Melbourne.45 Results showed in particular, a shortfall of semi-detached dwellings in mid zone suburbs. This indicates that addressing a demand-supply gap is not as simple as increasing construction, if the construction is of dwelling types or in locations that do not meet market demand.

Identified constraints to providing the housing people want (in a trade-off between size, location and financial means) includes availability of consolidated land parcels in middle and inner zones, together with issues around decontamination of brownfield sites. Planning processes including community consultation have also been identified as a disincentive to medium density housing projects, particularly in established areas of Sydney and Melbourne. Third-party appeal rights and accelerated planning approvals for policy compliant single detached dwellings, provide an added layer of disincentives for the provision of medium density or infill projects.46 Overall single detached dwellings are still the preferred built form, due to a combination of factors including a lower skills base to design and deliver, faster build times, lower risk for the builder or developer, ease of obtaining finance and the land value being held by the owner.

3. Housing affordability

Housing affordability is an individual’s ability to pay for their housing and refers to ‘reasonable’ housing costs in relation to income. It can be applied at the individual dwelling level, but often refers to the conditions of an overall housing market. A common benchmark for housing affordability is housing that does not absorb more than 30 per cent of a low to moderate income household’s gross income.

Housing affordability is a significant issue for new and existing households in Australia’s major cities. In 2011, nearly 21 per cent of all home buyers spent more than 30 per cent of their gross household income on housing costs, an increase from 10 per cent of all home buyers in 1982.47

The causes of affordability problems are complex and diverse, with major driving factors found both within the housing system and beyond. Declining affordability has implications for economic performance and labour market efficiency; social cohesion and polarisation of cities; and the creation and distribution of wealth through home ownership.48

45 Kelly, J.F., Weidmann, B., and Walsh, M., The Housing We’d Choose, Grattan Institute, Melbourne, 2011.
46 Ibid. pg.32
Both nationally and internationally, housing affordability is recognised as critical to:

- metropolitan and regional economic prosperity - particularly the provision of workforce housing
- social cohesion and equity - for instance, diverse and affordable housing opportunities support existing social networks
- environmental quality - reducing pollution and land conversion arising from a job housing mismatch.

As such, housing affordability is arguably an implicit normative goal of spatial planning policy across all Australian jurisdictions. 49

**Affordable housing**

Affordable housing refers to dwellings which households on low to moderate incomes can afford, while meeting other essential living costs. Access to affordable housing has been impacted by a range of factors including rising average house prices and the supply of social housing not keeping up with demand.50 Lower-income households in particular have suffered from the failure to provide an adequate supply of affordable housing. In Australia the households most at risk of facing the multiple problems that arise from a lack of affordable housing are lower-income households in the private rental market.51

A recent study by Bentley and Baker (2015) has demonstrated a causal link between housing unaffordability and diagnosable mental health conditions, particularly for people in the bottom two income quintiles. 52

A shortfall or mismatch in housing provision is likely to have the greatest impact at the lower end of the income distribution. These households have less choice than more affluent groups because they face binding affordability constraints, have less ability to absorb increased housing costs, and are often displaced from affordable existing housing by established households and those higher up the income ladder.53

**Affordable living**

The concept of affordable living recognises that direct rental or mortgage payments are not the only cost that households incur. Other expenses include the consumption of water, gas and electricity, property fees and taxes, the cost of transport (to work, education and shopping) and the price of food. Affordable living provides a framework that considers all of these costs together. In some cases, the additional costs of living in a low quality or poorly located dwelling (through transport, energy and water costs etc.) can outweigh the benefits of lower mortgage or rental payments, or vice versa. 54

49 Gurran et al., *New directions in planning for affordable housing*, AHURI, Sydney, 2008. pg.3
51 Gurran et al., *New directions in planning for affordable housing*, AHURI, Sydney, 2008. pg.3
53 National Housing Supply Council Housing Supply and Affordability – Key Indicators, 2012, p.3
54 Department of Planning (WA), Planning Provisions for Affordable Housing, Discussion Paper, Government of Western Australia, October 2013, pg.9.
Affordable living and affordable housing are interrelated and of concern to planning professionals. Housing affordability is measured by the cost of housing relative to income, whereas affordable living considers the cost of housing in conjunction with the cost of accessing employment, services, transport and utilities. These aspects of affordable living are influenced by land use decision making and infrastructure provision.

Due to high house prices in the inner and middle suburbs, many households in outer areas are unable to move into these areas, which have better access to jobs. It has also meant that wealthier households tend to predominate in areas where there are both better jobs and public transport.\(^{55}\) This highlights the issue that the provision of affordable housing is not solely about price point of the dwelling, but also the dwelling’s location in areas that provide access to jobs and services and enable an affordable lifestyle.

4. Housing diversity

The term “housing diversity” refers to a range of housing types provided within a district, development or neighbourhood to meet the needs of a socio-economically diverse community. Housing diversity can be delivered through the provision of a range of dwelling products and sizes and by promoting a variety of building forms.

The provision of a diverse range of dwelling styles and densities can provide housing choice and address the housing needs of residents at different stages of life and increasingly diverse household types, such as young families, professionals, retirees and those with disabilities. Housing diversity within a neighbourhood can allow people to remain in the same community when their life circumstances change.

Large homes in sprawling suburbs are not always affordable and often unsuited to the growing number of single-person households and childless couples. By providing more choice, better aligned to the needs of smaller households, the number of affordable entry points (and affordable living opportunities) can be increased for those on lower incomes.

Alternative housing tenure models

Cooperative housing is an alternative housing model that provides a foundation for community building and shared responsibility through innovative housing design and inclusive resident governance structures. Three major types of affordable cooperative housing include low-equity Cooperative Housing and Community Land Trusts, which allow residents to have partial ownership in a private residence, with communal responsibility built into the financial arrangements. The third type is not-for-profit rental cooperative housing, where residents are means tested and pay rent at a lower than market rate, with shared responsibility for maintenance of communal areas.\(^{56}\)

Sustainable subdivision and housing design

Sustainable subdivision design provides the groundwork to facilitate sustainable

\(^{55}\) Ibid, p.100

\(^{56}\) Schwartz, H. Phd Thesis Cooperative housing for an ageing Australia, University of Melbourne, Australia, 2013.
housing design, particularly on small blocks, through lot orientation that incorporates solar access, shade and breeze. Sustainable subdivision achieves cumulative sustainability goals incorporating highly connected streets to facilitate active transport and public transit. Mixed land uses including local retail supports local activity and movement adding diversity and choice. Subdivision design holds the opportunity to maximise health, social, environmental and economic outcomes for households.

The design of housing can influence its long term sustainability and reduce the use of energy, water and building materials. Long standing principles for sustainable house design include north facing living areas, reducing west facing windows and maximising internal spaces through good design rather than larger areas.  

House energy rating schemes such as the National House Energy Rating Scheme (NaTHERS) and the Building Sustainability Index (BASIX) provide assessment on energy efficiency and other sustainability measures such as reducing potable water use (BASIX). Planning guidance that maximises north facing house design and enables rooftop solar panels and water tanks to be appropriately sited, can assist with providing more sustainable housing options.

Sustainable housing options may also be reflected in the provision of housing that meets social sustainability principles including adaptable or universal housing for a range of ages, abilities and stages of life.

5. The role of planning
Planning's interest in housing goes beyond individual aspects and links housing to an overriding concern with the sustainable functioning of cities and regions.

Aspects of housing policy and provision that planning can influence include:

- **Supply**- by ensuring a planning system that facilitates increased housing diversity and supply
- **Affordability** - influenced by the types and locations of supply
- **Safety** - resilience to extreme weather and climate change, influenced by urban design and the public realm
- **Sustainability** - is housing energy efficient and adaptable to changing demographics and climate
- **Location in relation to other land uses** - is housing located in areas with easy access to employment, community services, recreation and public transport; is housing located cognisant of land constraints and adverse amenity land uses.

Urban planning responsibilities of government can influence housing outcomes within the community, as planning decisions can impact on the availability of residential land, the timing and costs associated with development, the design

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58 For more information see [http://www.nathers.gov.au/about](http://www.nathers.gov.au/about)

59 BASIX aims to reduce water and energy consumption in homes across NSW and is implemented under the *Environmental Planning and Assessment Act*, for more information see [http://www.basix.nsw.gov.au/basixcms/about-basix.html](http://www.basix.nsw.gov.au/basixcms/about-basix.html)
and configuration of new housing and the retention of existing low cost housing stock.

Examples of the linkage between planning and housing outcomes include:

- Land use policy that provides direction and priority with regard to greenfield land release, urban renewal and mixed use and sustainable development.
- Land use zoning decisions – these can impact the availability of residential land and the location of new residential development in relation to transport, services, employment and education opportunities.
- Development controls – can influence the way that new housing is designed and configured and can affect the affordability, type, cost and tenure of new developments.
- Major urban renewal processes – that may either contribute to a loss of existing sources of affordable housing, or provide affordable infill housing depending upon the proponent and site specific planning provisions.
- Development conditions – can mitigate the social and environmental impact of approved developments, such as through developer contributions to fund community infrastructure, or affordable housing.

Research by Gurran et al. 2008 found that one element distinctly absent from Australian practice was a policy and practice linkage between planning objectives or requirements and existing funding or incentives for affordable housing development.

“Irrespective of the total amount of capital funding for housing assistance in Australia, there is potential to maximise the leverage of this investment by a stronger use of the planning system to secure land for affordable housing development.”

Findings such as these support the integration of planning mechanisms with financial, economic and major infrastructure investment decisions.

**Planning policy levers**

Mechanisms in Australia to address housing affordability problems through the planning system have largely focused on offering incentives for developers to provide affordable housing. Implementation mechanisms to facilitate affordable housing through planning schemes, policies or structure plans fit broadly into five categories. These are as follows:

**Barrier reduction strategies**

Barrier reduction strategies seek to remove or reduce controls that many inhibit

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61 The other is the lack of any national policy for housing affordability in general, and new affordable housing creation in particular
63 Financial incentives that influence housing demand include negative gearing for investors and the First Home Owners Scheme.
64 Factors such as population growth, interest rates, unemployment rates and tax concessions can also play a major role in determining the level and growth of house prices and rents, but are in domains outside the direct influence of planning.
the development of affordable housing. These controls may include restrictions on the development of smaller dwelling types, minimum dwelling sizes, or restrictive covenants that require expensive finishes or materials on dwellings.

**Protective mechanisms**

Protective mechanisms or policies are generally used to retain low cost accommodation in an area, or to mitigate its loss during periods of redevelopment. They can include measures to prevent or limit the demolition, change of use or redevelopment of low cost housing.

**Planning incentives**

Planning incentives are voluntary provisions that aim to make development projects more profitable in exchange for the provision of affordable housing. Potential incentives include reducing the time or cost of development assessment, or the provision of bonuses that increase the overall yield of a development.

**Voluntary negotiated agreements**

Voluntary negotiated agreements are usually applied at the large scale, such as major development projects or in a master planned community. They are negotiated between a developer and the local authority before development commences and can result in the alteration of standard planning conditions in exchange for the provision of affordable housing across the whole development.

**Mandatory provisions**

Mandatory provisions require developers to provide affordable housing as part of a development. They tend to relate to a fixed percentage or number of dwellings, depending on the type or size of the development. The most commonly understood mandatory provision in the Australian context is inclusionary zoning, which requires a percentage of dwellings in any new development to be provided for affordable housing. Other mandatory provisions include the collection of cash contributions, rather than providing land or dwellings.65

**Examples of Planning Mechanisms**

Preliminary analysis of some of these planning mechanisms is found below with further resources and references at the end of this discussion paper. It should be recognised that different planning mechanisms will be effective in different market contexts.

Table 1 provides an overview of the implementation mechanism categories and the market context that is most conducive to these different approaches.

**Inclusionary zoning**

In the United States, where inclusionary zoning is used widely, targets of 10 to 15 per cent affordable housing inclusion are not directly linked to capital funding for affordable housing development. However, such targets are usually supported by the availability of planning bonuses (such as density increases) or concessions (like reduced fees). Many state and local jurisdictions with affordable housing

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65 Department of Planning (WA), Planning Provisions for Affordable Housing, Discussion Paper, Government of Western Australia, October 2013
strategies in place also dedicate their own resources or public land to support low income housing programs. Mandatory inclusionary requirements in the United States are also made more feasible by the existence of Federal and State tax incentives designed to stimulate development of housing for low income households (such as the Low Income Housing Tax Credit program).

Mandatory inclusionary housing schemes will have an impact within a high value market characterised by significant development activity and limited development opportunity. In such schemes, a proportion of the development is dedicated to affordable housing, either as an onsite contribution or a payment. By contrast, lower value markets – characterised by development activity and demand for housing, but more potential opportunities for growth – are likely to support affordable housing inclusionary targets that deliver dwellings that can be purchased at lower cost for social housing providers or low and moderate income households.  

Car parking policy
Specific aspects of planning policy may also inadvertently contribute in part to housing costs, these include minimum parking standards, which require all new residential developments to have a minimum amount of parking in some cases regardless of location or accessibility by other transport modes, thereby imposing an additional cost on the developer which is then handed onto the purchaser.

More recently planning policy in Australia has begun to recognise that minimum parking standards for development can impose an additional cost on development. Reducing minimum parking requirements or moving to maximum parking requirements may provide a potential policy lever to support the provision of more affordable housing in areas with good access to frequent public transport. The implementation of the amended State Environmental Planning Policy (SEPP) 65 in NSW has included reduced car parking standards for developments close to transport nodes. It has been suggested that this could result in savings of up to $50,000 per unit for properties that have no parking space.  

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<table>
<thead>
<tr>
<th>Implementation mechanism</th>
<th>Approach/mechanism</th>
<th>Market context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase housing supply</strong></td>
<td>Audit of potential residential land</td>
<td>Greatest impact in contexts where there has been a long-term undersupply of new housing opportunities relative to demand.</td>
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<tr>
<td></td>
<td>Government dedication/acquisition of land</td>
<td></td>
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<td></td>
<td>Land development or renewal authority</td>
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<tr>
<td></td>
<td>Land development incentives/penalties</td>
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</tr>
<tr>
<td><strong>Barrier reduction</strong></td>
<td>Audit existing planning controls; assess impact of proposed regulations on housing affordability</td>
<td>Effective in contexts where existing planning regulations preclude diverse and low-cost housing forms</td>
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<tr>
<td>Reduce barriers to affordable housing development</td>
<td>Development controls permit diverse housing, in as many areas as possible</td>
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<td></td>
<td>Faster approvals for preferred development</td>
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<td></td>
<td>Overcome local barriers to affordable housing construction</td>
<td></td>
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<tr>
<td><strong>Protective mechanisms</strong></td>
<td>Social impact framework</td>
<td>Important in high-growth regions characterized by rising house prices</td>
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<td>Retain and offset the loss of low-cost housing</td>
<td>Preserving particular house types at risk</td>
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<td></td>
<td>Assistance for displaced residents</td>
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<tr>
<td><strong>Planning incentives</strong></td>
<td>Graduated planning standards relating to building use and context (e.g. boarding houses near transport require less parking).</td>
<td>Effective in contexts where land costs or building costs are high enough to generate a valuable bonus when prevailing controls are varied</td>
</tr>
<tr>
<td>Encourage new affordable housing</td>
<td>Planning bonuses/concessions on development standards for designated affordable housing creation or contribution</td>
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<tr>
<td></td>
<td>Fast track approvals for affordable housing meeting defined criteria</td>
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<td></td>
<td>Fee discounts for affordable housing meeting defined criteria</td>
<td></td>
</tr>
<tr>
<td><strong>Negotiated agreements and mandatory provisions</strong></td>
<td>Voluntary negotiated agreements for affordable housing contribution</td>
<td>Will have a greater impact within a high value market characterised by significant development activity and limited development opportunity</td>
</tr>
<tr>
<td>Securing new dedicated affordable housing</td>
<td>Inclusionary zoning – mandatory contributions for all identified development in the zone to contribute to affordable housing fund/supply</td>
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<tr>
<td></td>
<td>Impact fees – mandatory contribution to offset impact of development on affordable housing needs</td>
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</tbody>
</table>
6. Conclusion
The provision of housing that is safe, secure, affordable and sustainable is an issue of interest and concern to the planning profession in Australia. Housing sets the structure of our cities and can in turn, impact on related issues such as transport and movement, infrastructure and spatial inequality.

Planning policy for housing needs to address the ongoing challenge of providing affordable housing in suitable locations. Spatial inequality is contributing to divided cities with higher cost housing in inner city areas that have access to employment opportunities and services in contrast with outer ring suburbs that have limited access to employment, transport, education and health options.

The housing market is influenced by an array of demand and supply factors, that are not all within the control of planners or planning policy. In particular tax concessions, stamp duty and finance availability are factors that influence housing demand but need to be considered in tandem with city and regional planning to ensure that policies with spatial implications are integrated with planning practice.

Aspects of housing provision that planning can influence include:
- overall levels of supply and the coordination of infrastructure to support new supply
- location in relation to transport corridors and other land uses through land use zoning
- housing design and configuration through development controls including solar access provisions, plot ratio\(^68\), height controls and minimum open space
- housing supply and mix that meets the needs of different households and individuals, including people with disability
- land development costs through Development Application assessment times and costs
- built form characteristics such as density and diversity.

The lack of a comprehensive national housing policy framework means that a vision and targets for housing provision have not been clearly articulated in a national context.

The Planning Institute of Australia seeks to provide a policy position statement on housing that recognises the scope of planning’s influence, while acknowledging that there are other important policy triggers that are influential in the provision of housing and on housing market operations. It is also a call to action for national leadership on providing a housing policy framework, ensuring inter and intra generational equity for access to home ownership and secure housing tenure, ensuring that financial incentives integrate with planning practice and recognising the importance of ongoing access to current data and statistics that provide an accurate measure on the state of the housing market.

\(^68\) Also known as floor space ratio
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Relevant Terms

**Affordable housing**
Housing that is affordable for households on low to moderate incomes, when housing costs are low enough to enable the household to meet other basic long-term living costs. For example, housing costs should be less than 30 per cent of household income for occupants in the bottom 40 per cent of household incomes. Affordable housing can include public, community, non-profit and social housing.

**Effective demand**
The quantity of housing that owner-occupiers, investors and renters are able and willing to buy or rent in the housing market. *Effective* demand is expressed in the market and is driven by a range of cyclical, as well as structural economic and demographic factors.

**Homelessness**
A person is homeless if he or she does not have access to adequate housing that is safe and secure. People who are homeless fall into three broad groups; that is, those who are: sleeping rough (living on the streets) living in temporary accommodation, such as crisis accommodation or with friends or relatives staying in boarding houses or caravan parks with no secure lease and no private facilities.

**Housing diversity**
A mix of housing types that meet the needs of a socio-economically diverse community. This includes student housing, boarding housing, affordable rental housing, social (including public) housing and private market housing.

**Housing stress**
A household that is paying more than 30 per cent of their income and is in the bottom 40 per cent of the income distribution (adjusted for household size) is considered to be in housing stress.

**Lower-income household**
A household with income in the bottom 40 per cent of all household income distribution.

**Social housing**
Rental housing that is provided and/or managed by government or non-government organisations, including public and community housing.

**Underlying demand**
The need for housing based on the number of households in the population, rather than the demand actually expressed in the market (effective demand). *Underlying* housing demand is measured by estimated growth in the number of households.