



# Transforming Housing

## An affordable housing industry for the 21st century

*Australia’s population will grow from 22 to 36 million by 2050, which means that 6.5 million new housing units will be required in the next 35 years. The need for affordable housing with easy access to public transport, jobs and services, will only increase in an aging society with fewer households in the labour force. Yet there is growing public concern about housing affordability, as well as quality concerns around location and amenity.*

*Transforming Housing is an ‘action research’ project working to create industry partnerships that can enable finance, land value capture, and design/construction innovations to meet these challenges. Our main mechanism is to support a Housing Exposition that will develop demonstration projects showcasing this innovation. While our geographic focus is metropolitan Melbourne, we think our work can help scale up the affordable housing industry throughout Australia.*

**The key research question for this project is: How can a partnership approach between government, private and non-profit housing developers, investors and design / construction firms be enabled to support innovative and deliberative approaches to increase affordably housing supply and quality?**

### Our approach

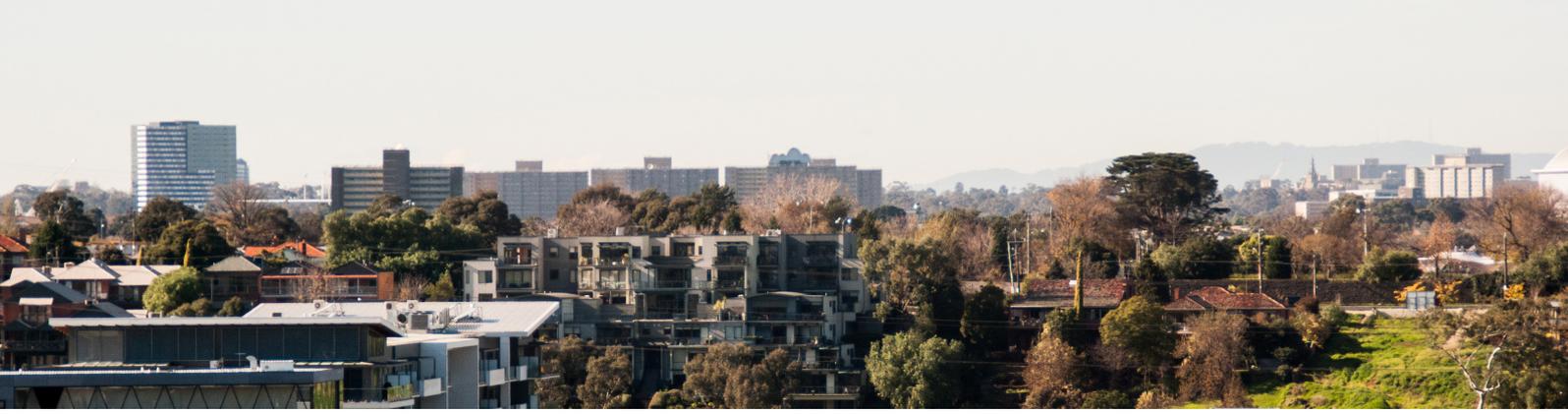
- 1  
Which design approaches and construction technologies can best offer high quality, smarter, and greener affordable housing?
- 2  
How can we unlock local, state and federal government land resources and also more effectively utilise value capture from new development?
- 3  
What changes need to occur to leverage sufficient investment in affordable housing from the private, philanthropic and public sectors?

Focusing on the delivery of quality, affordable housing, our research will identify models for mutually beneficial industry partnerships, which can deliver housing outcomes not currently being delivered by the market.

We define affordable housing to be that where rent or mortgage payments do not exceed 30% of gross household income, and quality housing to be that which has good location (accessible to jobs and services by public transport, cycling, and walking), is diverse (comprised of a range of sizes suitable for a mix of household types, enabling ageing in place), and well designed (for excellent environmental performance and quality of life).

**We believe that innovative demonstration projects are essential to both engage and transform Australia’s affordable housing industry.**

Until June 2015, Transforming Housing will be working towards building relationships with industry partners, leading to memorandums of agreement. A follow on research project from 2015 to 2018 will incorporate a Design Competition, the ultimate goal of this being an industry delivered Housing Exposition to inspire and inform industry and consumers.



## Greater Diversity and Affordable Living

The affordable housing sector represents an important unmet demand. Social diversity is an important factor in the social health of our cities, supported by an appropriate diversity of housing choices including a range of housing types, tenures and sizes. Purchase cost or rent is only one part of the affordable living equation. Proximity to employment opportunities reduces travel costs, and energy efficient housing can significantly reduce costs to occupiers over time.

New development models combined with innovative design and construction approaches are required in order to inspire a departure from the status quo. The testing and exploration of these new models through demonstration projects will provide tangible, meaningful, visitable and assessable built outcomes.

### An innovative supply chain

There is the significant opportunity to work with Australian manufacturers of prefabricated building products to improve quality, efficiency, speed, and design adaptability while at the same time reducing costs, all of this increasing Australia's international competitiveness in an increasingly globalised construction sector.

Currently, prefabricated housing is estimated to comprise 3% of Australian housing annually, equating to a prefabricated housing industry in the region of \$1.395 billion per annum. Construction productivity agendas indicate building prefabrication will increase to between 10% and 20% over the next 5-10 years as the advantages of efficiency, time-saving and quality control are better understood.

Product volume is critical for making this shift towards building manufacturing, and growing a viable affordable housing sector could be a critical element of the 'volume' equation. A Housing Exposition would be able to showcase 21C construction innovation and challenge negative stigmas due to what are considered the 'past failures' of mass produced housing.

## Tangible Outcomes

Internationally, there are excellent demonstration precedents such as the 45 year tradition of Finnish Housing Fairs, as well as the 2010 Scottish Housing Expo.

The 2014 Finnish Housing Fair provided 37 individual houses, a kindergarten and one 13-storey tower block, all open to the public over summer prior to being handed over to the occupiers, be they owners or tenants. The 2010 Scottish Housing Expo comprised 27 individual homes exploring the theme of sustainability.

An *Australian Housing Exposition* will deliver demonstration projects that showcase a range of housing and place making typologies outside the current market offering, for example:

- family friendly apartment buildings;
- infill housing in grey-field areas;
- housing to better support disability and ageing in place; and
- housing agility over time, adapting to changing circumstances of individuals and families.

Tangible experiences of new housing typologies, or innovative construction technologies, are vital to inspiring community confidence in the alternatives as both liveable and desirable, therefore creating a new consumer demand.

Some key issues to be investigated by the Design and Construction Innovation stream include:

- What housing typologies need to be provided that are not currently available in the market?
- What can we learn from European housing fairs when seeking step-change in the design and delivery of diverse, quality affordable housing?
- Which 21C construction innovations can best assist reduction of costs of delivery and living?
- How can we best stimulate participation in informed debate about the future of housing in our cities?



*Adara Apartments, Perth for WA Department of Housing uses prefabricated modules by Hickory Group, reducing both project costs and delivery time. Image: [www.hickory.com.au](http://www.hickory.com.au)*



*The 2014 Finnish Housing Fair was held during July by the Jyväskylä lake, Äijälänranta. Image: [www.asuntomessut.fi/en/housing-fair-jyvaskyla-2014](http://www.asuntomessut.fi/en/housing-fair-jyvaskyla-2014)*



*Bo01, Malmo, Sweden, part of the European Housing Fair of 2000 - 2001, incorporates canals, medium density housing and a high rise tower. Image: [www.ecocitylab.org/field-trips.html](http://www.ecocitylab.org/field-trips.html)*

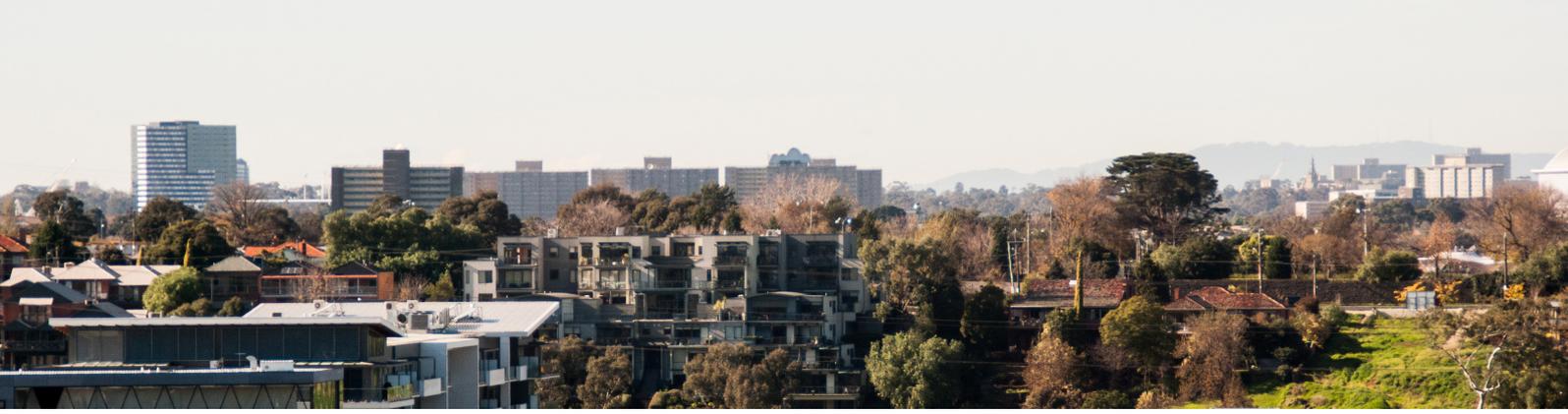


*The Green by Australand in conjunction with Citta Property Group uses innovative hybrid timber construction for significant savings on construction costs. Image: [www.citta.com.au](http://www.citta.com.au)*



Transforming Housing

Design and Construction



## Value Capture

Land Value Capture (LVC) generally refers to using the rising value of land to raise revenue for governments. Most typically, LVC measures fund infrastructure such as public transport or utilities and services by capturing a portion of the adjacent land value increase caused by this infrastructure. There are also other mechanisms that can uplift land values, including rezoning and land use configurations that make places more attractive to residents, e.g., Transit Oriented Development (TOD). There is potential for governments in Australia to utilise various existing mechanisms to create and capture value uplift, e.g., re-zoning, planning amendments and permissions, stamp duties, land tax, council rates and special levies. Much of the increase in land value is associated with intensification close to jobs and services, which is also the best location for affordable housing.

## Land Capture

Transforming Housing will work with partners to identify and be able to deliver outcomes on a range of sites close to public transport, employment and services. Some of these sites will form part of the planned Housing Exposition, demonstrating how different types of sites can be financed, designed, developed and managed as mixed-tenure affordable and social housing.

Transforming Housing will consider a diverse range of land types to maximise the long term potential for growth in supply, including local government land, transferred public housing sites, and excess land owned by universities and education departments, churches, and railway authorities and other infrastructure agencies. Other possibilities include utilizing air-rights development on all of the above types of land where maintenance of existing uses is required, as well as using privately owned land suitable for housing co-operatives or private sector developers using 'self-imposed inclusionary zoning'. As well as providing returns to investors in the form of housing sales, rises in land value will be captured by the affordable and social housing sector.

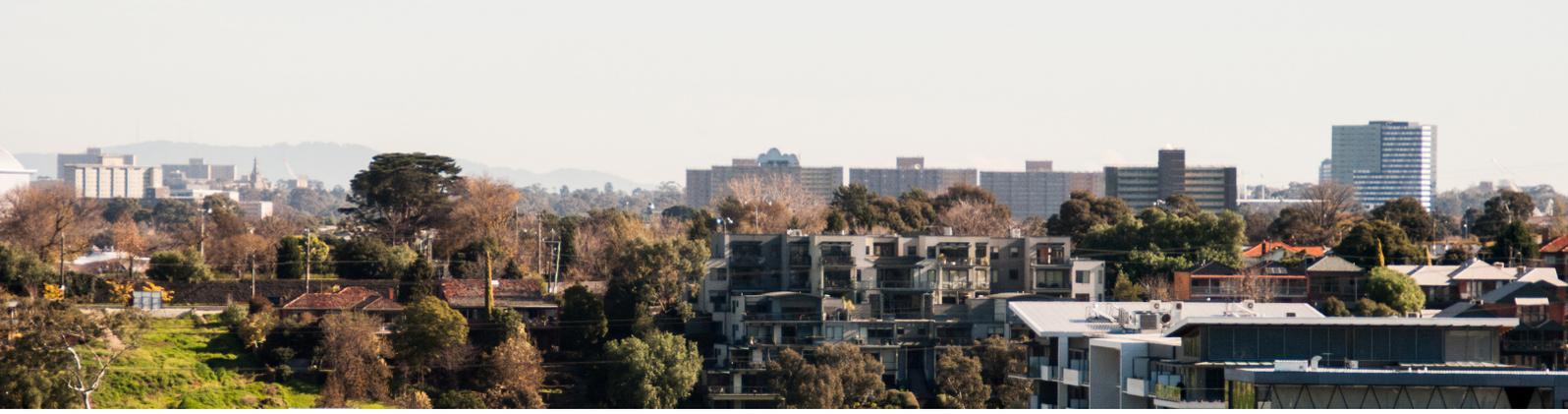
## Deliberative Development

New, deliberative development models to support growth of an affordable housing industry will meet a significant demand, facilitated by a more developed and sophisticated prefabricated building industry.

Transforming Housing will work with experienced affordable housing providers to ensure modeling of housing projects meets their aspirations for future communities. A significant advantage that registered housing providers have is direct knowledge of the market and established relationships with State Housing Authorities' waiting lists. This knowledge allows for significant savings in development costs, given that market research and marketing activities can comprise between 10-30% of development project budgets, while also allowing greater agility and responsiveness to actual housing demand.

Some key issues to be investigated by the Land Value Capture stream over this project are:

- What combinations of LVC instruments are most likely to succeed in providing adequate value uplift to subsidise sufficient affordable and social housing in Australia, while being financially viable for developers and financiers?
- Which of these LVC mechanisms are feasible both politically and in the context of local governance structures?
- What types of land are likely to provide a long-term portfolio of sites suitable for development as mixed-tenure affordable and social housing?
- Who are the agencies that need to collaborate to make deliberative development of affordable and social housing a success?
- What are the best ways to build cross-sectoral partnerships?



*Patton Park, Portland was developed by REACH Community Development on land purchased at reduced cost from public transport operator TriMet. Image: Getting to Yes research team*



*888 Seventh Avenue, San Francisco is a mixed use development of retail space and 224 dwelling units - 170 affordable and 54 market rate units. Image: Getting to Yes research team*



*Woodward's Building, Vancouver, is a \$400 million development encompassing residential, office, retail space and educational space. Image: Getting to Yes research team*

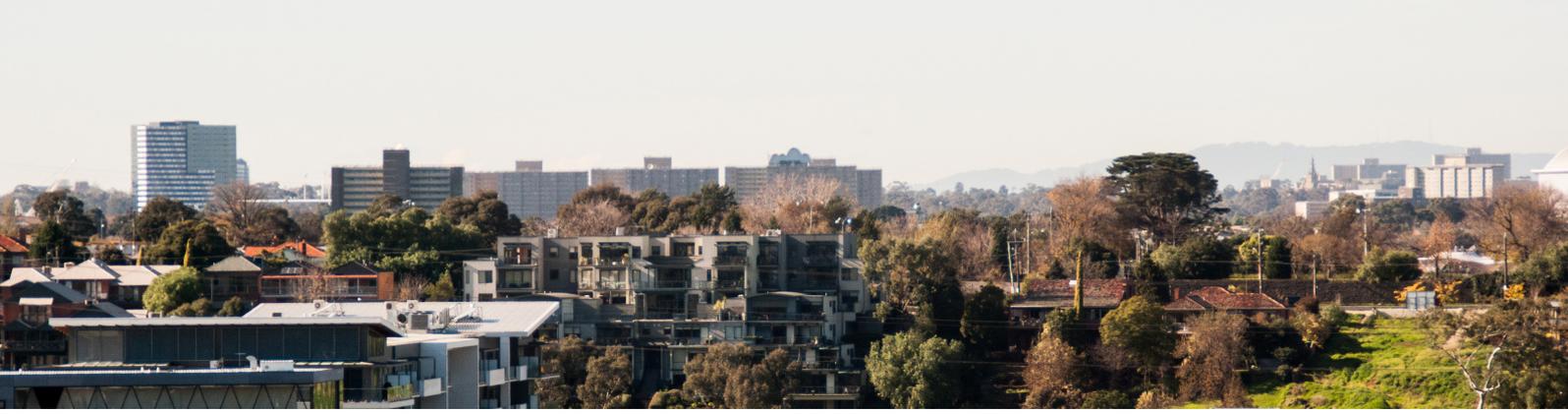


*Portland Ground Housing helps people buy their first home affordably. It serves people with steady jobs who can qualify for a mortgage of \$130,000. Image: Getting to Yes research team*



Transforming Housing

Land and Value Capture



## Financing Affordable Housing

Internationally, the provision of affordable housing is facilitated by direct or indirect government subsidy to allow the dwellings to be placed on the market at a reduced cost. The subsidy compensates the housing developer (whether a not-for-profit or for-profit organisation), for the opportunity cost of not developing 'market rate' housing.

Typically in Australia, the subsidy has been in the form of a project specific, direct government grant of around 75% of the development's cost. This approach to providing affordable housing has two major drawbacks:

- Ad-hoc capital funding does not generate the certainty and continuity required for an efficient and effective sector to operate, and
- Overall grant funding for affordable housing from government has been falling and is likely to continue to do so.

While recognising that government will ultimately still need to be the provider or guarantor of a subsidy, there are alternatives to the direct capital funding model. With appropriate policy settings, such as tax credits, institutional investment capital may be encouraged to provide an on-going source of funds for affordable housing in Australia.

## Partnerships, Risk and Innovation

The main question to be investigated by the investment stream is how whatever level of public subsidy, concession or guarantee available can facilitate the required private investment to deliver appropriate outcomes for quality, affordable housing.

Addressing this issue requires understanding the complex web of factors that underlie the financing and delivery of housing, including a variety of actors such as financiers, developers, policy makers and consumers. Understanding the needs of all actors and the frameworks in which they operate is crucial to transforming the industry. As the affordable housing industry is scaled up and becomes a more mainstream sector of the market, risk will also be reduced, facilitating further innovation.

## Leveraging Private Investment

Specific to the investment stream, the aim is to transform the way private investment can be leveraged to substantially expand activity in the prefabricated manufacturing industry together with the affordable housing sector.

To this end, the key issues that will be investigated by the Investment stream include:

- What are the appropriate risk and return profiles required to attract institutional investment?
- What scale and scope does the affordable housing sector need to acquire to be a viable investment option?
- What fundamentals are needed to ensure investment in affordable housing is sustainable and not subject to the boom and bust cycles typical of other investment schemes geared towards tax minimisation?



*Ashwood Chadstone Gateway Project for Port Phillip Housing Association used partnership models to deliver a percentage of community housing dwellings. Image: [www.fmsa.com.au](http://www.fmsa.com.au)*



*The Nicholson Apartments, Melbourne, is a mixed tenure model in which a percentage of the dwellings are for social housing tenants. Image: [www.hickory.com.au](http://www.hickory.com.au)*



*474 Natoma Family Apartments, San Francisco, includes 60 units of affordable housing including three bedroom family friendly apartments. Image: Getting to Yes Research Team*



*Shaver Green, Portland brings together economic, ecological and social responsibility, in close proximity to public transport and employment. Image: [www.shavergreen.com](http://www.shavergreen.com)*



## Some further reading

### Housing Fairs

Architecture and Design Scotland, *Scotland's Housing Expo*, March 2011

<http://www.scotland.gov.uk/Publications/2011/03/251110122/0>

The Finnish Housing Fair Co-operative Organisation, *Towards Better Finnish Living*, 2012

[http://www.asuntomessut.fi/sites/default/files/general\\_brochure\\_the\\_finnish\\_housing\\_fair\\_co-operative\\_organisation.pdf](http://www.asuntomessut.fi/sites/default/files/general_brochure_the_finnish_housing_fair_co-operative_organisation.pdf)

### Affordable Housing

Community Housing Federation of Victoria, *Making Social Housing Work*, March 2014

<http://chfv.org.au/uploads/Making-Social-Housing-Work---Web.pdf>

### Our research

*Getting to Yes: Overcoming Barriers to Affordable Family Friendly Housing in the Central City*

<http://msd.unimelb.edu.au/getting-to-yes>

*Transforming Housing: Affordable Housing for All*

<http://msd.unimelb.edu.au/transforming-housing-affordable-housing-all>

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