Getting To Yes: ABPL90088 Investigation Program C

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Subject Coordinators: Carolyn Whitzman & Sarah Backhouse

Research Proposal: Green Spaces & Affordable Housing

Grace Tan, MUP #553822
mailgracetan@gmail.com
Proposal Overview

Urban green spaces may be an unrealized bridge to getting more quality affordable housing and neighbourhoods in Melbourne. By establishing a fiscal incentive that gives local councils capital whenever a development providing affordable housing is approved, a productive partnership between green spaces and affordable housing may be forged. The money is specifically earmarked towards creating or improving local parks, sporting facilities, natural landscape preservation, recreational or social areas and many other community infrastructural needs that contribute to the quality of living for the neighbourhood’s residents.

The proposal for a Green Space & Affordable Housing Program (the Program) seeks to alleviate the housing stress felt by low- to moderate-income households while advancing the quality of public space used by all residents of a local area. As a planning mechanism, it is designed to take advantage of the local authority’s planning and decision-making powers that can steer certain types of development into their community.

The program is distinct from other policies that help offset costs for housing investors as a way to increase stock. Instead, it aims to contribute state funding directly into the local treasury in return for designating more affordable housing into their area. By paying local governments directly, it eases reliance upon the developer contribution system and an autonomous for-profit market to fund much needed community infrastructure and deliver more affordable housing.

The outcomes of such a program may be threefold: First, a general increase in affordable housing development approved by local councils due to the incentive for direct green space capital; Second, neighbourhoods with affordable housing have a marked improvement in public space, creating a positive association between affordable
housing and good urban design; Third, the various economic, environmental and health merits from having quality public amenities such as parks, trails, sporting facilities, social spaces deliver long-term cost-effective results for the area and its residents, producing “good ‘hoods”. If successful, the trifold of benefits could mark out a potential wider trend in the housing market, prompting more collaborative investment in affordable housing in Victoria.

Figure 1. Housing prices comparison with income in Australia

Defining urban green spaces

Urban green space refers to the social, health and economic entities of a neighbourhood’s public infrastructure. This may include small to large parks, natural landscape preservation such as walking or cycling trails, creeks and waterways, sporting grounds, social and recreational spaces like outdoor squares, seating spaces in local activity areas and indoor communal flexible spaces. In summary, urban green spaces refers to public places in and around the neighbourhood that serve local resident needs, are free to use and are accessible to any member or visitor of the neighbourhood.

Defining housing stress and affordable housing for whom?

More and more Australians are experiencing housing stress, with estimates of around 400,000 families paying more than the accepted ratio of 30% of income on housing cost (Tiley & Hill 2010, p.268, AHURI 2007c) while the increasing cost of housing has outpaced the average income over the years (Yates 2011b in GI 2013). It is fair to say then that housing stress is at record high levels and affordability is record lows in Victoria. Based on the “30/40” guideline used by the Grattan Institute and Australian Housing Urban Research Institute (AHURI), more than 30% of the household income from the lowest 40% of earners is spent on housing costs, indicating that housing stress is felt most by those in the low- to moderate- income bracket (AHURI 2007c & Grattan Institute 2013). The following report will treat this particular 30/40 cohort of the population as the target group for the proposed program.

Additionally, affordable housing may fall under a larger banner of social or public housing, including housing that accommodates for groups or individuals with complex needs. The Program focuses less on these types of housing and more so on projects developed by the private market or community agencies. Although these other types of groups are important to the conversation on housing affordability in Victoria, they lie beyond the scope of this report alone and require further investigation in future research.

In short, the proposed program for increasing affordable housing is targeted at the 30/40 group in Victoria, who may be seeking to live in a property developed by the private market, community agency or a
combination of both. The types of people in this target group of low-
to moderate-income households are diversified in age and household composition; coupled or single-parent families with or without children, pensioners, students and independents. Households living with physical or mental conditions are also embedded within this target group, as is commonly the case with low- to moderate income groups (Australian Network on Disability 2013).

Housing affordability in Victoria

In 2007, a United Nations report stated that Australia was in a state of a “serious national housing crisis characterized by reductions in public housing stock, soaring private rental rates, an acknowledged housing affordability crisis and no real reduction in the number of homeless” (Kothari 2007, p.2). The same report urged a national strategy to make affordable rental housing a priority, along with getting private enterprise involvement in the process (Mission Australia 2007 cited from Tiley & Hill 2010).

The UN report’s emphasis on prioritizing the affordable rental market follows a consistent drop in home ownership rates amongst the 25-44 age bracket since 1980 (Grattan 2013, p.10). This drop occurs alongside a consistent rise in the private rental tenancy rate to over 2.1 million households in 2011-2012 or one-quarter of all Australian households, who are renting for longer periods of time, with more than half renting between 5-10 years (Ibid, p.18). Considering these trends together with the rapid increase in housing prices outpacing the average weekly earnings since the mid 1980s, a correlation can be put forward that supports a pressing need to find a way to expand affordable housing for the rental market.

There have been major tax incentives put in place in attempt to boost the housing stock available on the market such as negative gearing and capital gains tax exemption (Property Council of Australia 2006), although both have been realised to benefit investors more so than renters or first home buyers (Grattan Institute 2013, p.18). As a result, the high cost of property has squeezed the supply of existing stock rather than encouraged new development, fueling rental increases and leaving low- to moderate-income households struggling with the basic costs of living (Kent 2013 cited from Grattan Institute 2013).

Affordability and the quarter-acre block dream

In Victoria where the largest growth of any state or territory was felt, there has been an increase of 89,000 people in the outer suburbs of Greater Melbourne during 2011-2012, reflecting the barrage of greenfield development in the western, northern and south-east areas (Australian Bureau of Statistics 2013). It is here that large, single-storey detached houses dominate the typology of new development, as home ownership is much more accessible than inner city areas due to their affordable price tags. However, the problem with this is the dialogue set up around positive or negative lifestyles from living in outer fringes of cheap suburban sprawl or overpriced inner city shoe-boxes (Aus Heart Foundation 2012). Both seem to offer potential residents a hefty tradeoff - whether it be a lack of essential transport and community infrastructure in new areas or the lack of space and family friendly housing in higher density dwellings (Grattan Institute 2011, p.4).

The perceived tradeoff of outer/inner urban areas is an inverse trend of what once used to be reserved for society’s elite who moved outwards to escape from the poorer and more polluted city centre (Davison 2013). Nowadays, the outer suburban fringes are the haven of home ownership dreamers who cannot afford to buy closer to the city or are put off by the idea of living in an apartment block due to the lack of space, privacy and security, particularly for families with children (Grattan Institute 2011, p.10). It seems income-based housing segregation is still around, though with the geo-spatial arrangements
inverse to that of previous generations. A central role of urban green spaces is to stave off the idea of inner urban claustrophobia, where it is often thought to offer little breathing space or minimal areas for kids to safely play independently (Guthrie & March 2009).

**Smart growth & complete communities**

There is growing recognition that the costly social, environmental and economic battle between inner/outer city is not acceptable and efforts to mitigate the negative consequences have been popularized (Berke et al 2006 in Addison and Addison et al 2013). Urban advocates vying for ‘smart growth’ believe that mixed-use, compact urban structure, diversified housing types and multiple transport modes ought to be the guiding principles for good neighbourhoods (Addison et al 2013, p. 216). Similarly, development policies that promote density, walkable points of attraction and can integrate a range of nearby services with diverse mix of residents helps to create ‘complete communities’ (Harnik & Welle 2009, p.6). Both smart growth and complete community advocates confront the problem of sprawl and housing affordability and the values of compact living arrangements, mixed-income, mixed-housing types, mixed used, and healthier urban design are elements that the program wishes to emulate.

**Precedent Model – California**

California has formalized the role of urban green spaces in the provision of affordable housing through the Housing Related Parks Program (Dept. Housing & Community Development 2013a). Voted into legislation in and signed off by then governor Arnold Schwarzenegger in 2008, the program is still relatively new and limited analysis is available for review of its outcomes so far. However, the program has continued from its first round of awards in 2011, with the initial round of $8.8 million, and has had its latest round of ‘park money’ announced again in October this year with $25 million available (DHCD 2013b). If its renewal and increase of awards is an indication of anything, it is that the interest from Californian local authorities has persisted and that more affordable housing is getting approved around the state’s 58 counties.

In a statement released at its inception, the Housing Related Parks Program (HRPP) “seeks to reward local governments for approving much needed affordable housing for families and workers in their communities and reflects the Department’s goal of working in partnership with local governments to address statewide housing needs” (Dept. Housing & Community Development –Summary-2008). At its most basic level, the HRPP provides local government with money for parks and recreational facilities when affordable housing is approved in their jurisdiction.

The awards are available to cities and counties who may apply on behalf of projects developed in conjunction with private companies or community agencies. Funding is release annually and in calculating the awards, the amount for each county or city is based on the number of bedrooms in newly constructed ownership and rental housing units made affordable to very low- and low-income households. Additionally, bonus awards are also available after the base award is applied,
The use of funds are allocated towards “the creation, development or rehabilitation of park and recreation facilities, including, but not limited to, the acquisition of land, sport play fields, informal play areas, non-motorized recreational trails, play structure, outdoor recreation, community gardens and landscaping” (DHCD, 2008).

Mixed-income developments are welcome to apply, however only units within such developments that meet the affordability requirements qualify for an award. This is made possible due to the structure of the awards based on per bedroom calculations irrespective of the type of development they are located within, and also ensures the inclusion of mixed-use commercial development. Units that have been converted from non-residential to residential uses are also eligible, meaning infill projects do not miss out on potential funding. The per bedroom feature is particularly relevant to smart growth ideas and the planning policies of Arden-Macaulay in Melbourne that echo mixed-use, mixed-income aspirations and renewal projects as guiding principles to the future development of the area.

Threshold Criteria (retrieved from DHCD 2013a)

To participate, applicants must meet all of the requirements set out by the program, which are the following:

1. Housing Element Compliance, an element stipulating that the units applied for are indeed intended to be for residential housing and comply with local and state building standards. These standards generally include sustainable energy practices and accessibility guidelines.
2. Annual Progress Reports, to be submitted to the State Department as a form of tracking the status of each development in implementing the housing element.
3. Building Permits, for each new affordable housing unit, permits must have been issued during the designated program year and also meet affordability requirements for extremely low-, very low- or low-income households.
4. Certificate of Occupancy, a certificate that delivers a unit’s readiness for occupancy to the affordable market. Readiness may stem from units that have been substantially rehabilitated, converted from market rate to affordable, or preserved affordable units.
5. Minimum Grant Amount, awards are given only when amounts of $75,000 and above are met, including any eligible bonus awards (which will be discussed below). This measure controls the scale of projects that may apply and encourages mid to large scale affordable housing development. Importantly, if an applicant cannot meet the minimum amount, they may combine one or more subsequent funding rounds and apply once it is able to meet the minimum qualification amount of $75,000. This attachment ensures that the HRPP does not shut out smaller counties and projects that offer housing stock to low-income residents and is a strong indicator of the Californian Government’s appreciation of contributions to affordable housing from all size spectrums.
6. 55+/20+ Covenant, eligible rental units must be subject to an affordability covenant that requires the owner to maintain rents on the property at affordable levels for a minimum of 55 years. For ownership units, these must be initially reserved for sale to very low- or low-income households. Reuse of funds must be directed back into affordable housing for a period of at least 20 years.
**Base Awards**

Once satisfying all of the above requirements, eligible units may attract at the very least:

1. $500 for each bedroom made affordable to low-income households
2. $750 for each bedroom made affordable to very-low income households

**Bonus Awards**

Additional to the base award, bonus awards may also be applied when any or all of the following categories are met:

<table>
<thead>
<tr>
<th>Qualifying Unit</th>
<th>Base Award per bedroom</th>
<th>New Construction Units</th>
<th>ELI Units</th>
<th>Infill Units</th>
<th>Disadvantaged Community</th>
<th>Park Deficient Community</th>
<th>Regional Blueprint/ Supporting Infill</th>
<th>RHNA Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income</td>
<td>$500</td>
<td>$300</td>
<td>N/A</td>
<td>$250</td>
<td>$500</td>
<td>$500</td>
<td>$100</td>
<td>$50</td>
</tr>
<tr>
<td>Very-Low Income</td>
<td>$750</td>
<td>$300</td>
<td>$250</td>
<td>$250</td>
<td>$500</td>
<td>$500</td>
<td>$100</td>
<td>$75</td>
</tr>
</tbody>
</table>

Table 1. Bonus awards available on top of the base awards for eligible units of the Housing Related Parks Program

**Some of the terms unique to California explained:**

ELI - Extremely Low-Income household.

Disadvantaged Community - An area that has at least 51% of its residents at low- to moderate-income levels.

Regional Blueprint* - When a unit also satisfies part of a regional plan that implements statutory requirements intended to foster comprehensive planning.

*In Victoria, this may be part of the Plan Melbourne strategy where units meet the objective for housing choice & affordability within one of the planned new metro subregions.

RHNA - Regional Housing Needs Allocation, areas that have made significant progress and have met a target percentage established by the Department by the end of the designated HRPP year.

Based on the above bonus awards, qualifying units are able to receive up to $2200 per bedroom in low-income units and up to $2725 per bedroom in very low-income units.

**Estimating the number of affordable bedrooms in LA**

To give an overall snapshot of funding granted in HRPP’s first round, a list of the awardees for 2011 is reproduced here. It would be helpful to grasp an estimate of how many bedrooms were created for affordable housing in one of the awardee areas, however this specific information is not yet available. So, an estimate for the City of Los Angeles is drawn solely based on its comparable population level to Greater Melbourne, with both containing around 4 million people as of June 2012 (United State Census Bureau 2013 & Australian Bureau of Statistics 2013)
Curiously, Los Angeles is smaller in land size than Melbourne at 1200 square kilometers and Melbourne at around 2000 square kilometers when measuring only built up areas. This is in line with Mees’ findings when he compared urban and population densities of US, Canadian and Australian cities (Mees 2009, Davis 2013). Los Angeles, despite being the poster city for urban sprawl, is actually denser than most US and Australian cities.

For the purpose of obtaining an approximate number of affordable housing bedrooms approved for development in Los Angeles in 2011, I have set up a crude measurement of bedroom types contained within the award by calculating the total of $1,891,300 given to LA with the following formula:

1. One-quarter as qualifying for very low-income and satisfying the maximum amount of bonus awards ($2725 per bedroom)
2. One-quarter as qualifying for base award only for very low-income households ($750 per bedroom)
3. Remaining half as qualifying for base award only for low-income households ($500 per bedroom)

\[
\frac{1}{4} \text{ of total award } 472,825 \div 2725 = 174 \text{ bedrooms approved for very low income households that also satisfy the maximum amount of bonus awards}
\]

\[
\frac{1}{4} \text{ of total award } 472,825 \div 750 = 630 \text{ bedrooms approved for very low-income households that meet the base award only and}
\]

\[
\frac{1}{2} \text{ of total award } 945,650 \div 500 = 1890 \text{ bedrooms approved for low-income households that meet the base award only}
\]

That comes to an estimated total of 2694 bedrooms dedicated to affordable housing approved by the City of Los Angeles alone, which is fairly substantial for HPRR’s first round in the program.

Image 1. Boulevard Apartments, Petaluma & Diamond, Anaheim CA.
Local Possibilities

The key agenda of this report is to argue for a policy import of California’s Housing Related Parks Program to Victoria and more specifically, Melbourne’s Arden-Macaulay renewal area. In this next section, a hypothetical development in Kensington will be run through in order to grasp just how much the green space capital would be granted if implemented here on local shores. Some major existing policies will be looked at to see how the introduction of the program could take place as well as the long-term benefits it may bring to the community.

The Green Spaces & Affordable Housing Program in Arden-Macaulay

To walk through an example of the program in action, a proposal in Kensington for 100 dwellings by a consortium of non-profit and private developers containing 25% affordable rental housing would be highly attractive to local government because it would garner around $57,900 in green space capital. This amount has been based on the following calculation:

100 dwellings per hectare for a mid-high density rating as referred for guidance in the area’s structure plan (City of Melbourne 2012, p.48), equivalent to a total of 210 bedrooms with the following proportions:

- 30 dwellings are 1 bedroom units, including 7 affordable bedrooms
- 30 dwellings are 2 bedroom units, including 14 affordable bedrooms
- 40 dwellings are 3 bedroom units, including 30 affordable bedrooms

Total base awards = $25,500

If each bedroom were eligible to the modest base rate of $500, the total number of 51 affordable bedrooms would grant local government $25,500 in green space funding. The possibility of including bonus awards, similar to Californian model, increases this amount and would enhance the affordable sector further. Proposed categories for bonus awards may be:

- Family-friendly with 3 or more bedrooms = $500 per dwelling
- DDA designed = $300 per bedroom
- Disadvantaged Community = $500 per bedroom
- Infill/Brownfield Site = $300 per bedroom

Out of the 51 affordable bedrooms from our example, the bonus awards proposed could attract an additional $32,400 if the following ratio is calculated:

For 1 BR dwellings, 7 affordable bedrooms, 3 are DDA x $300 = $900 bonus

For 2 BR dwellings, including 14 affordable bedrooms, 4 are DDA x $300 = $1200

For 3 bedroom units, including 30 affordable bedrooms, 30 are family-friendly dwellings x $500 = $15,000

Infill/Brownfield Site bonus for 51 affordable bedrooms x $300 = $15,300

Total bonus awards = $32,400

Adding together the base and bonus awards, Arden-Macaulay would potentially have green space funding of $57,900 generated from a mixed income affordable development, with funds going towards creating much needed social and community infrastructure. In the case
of site 3’s location, this could translate to immediate funding for upgrading the adjacent park on the corner of Robertson and Barnett St or the rehabilitation of the Moonee Ponds Creek into an attractive walking trail, both of which would bring value and enjoyment for new and existing residents.

*Funding Stream for Green Space Awards*

From a national perspective, the Housing Affordability Fund (NHAF) is an Australian Government policy introduced in the 2008-09 budget specifically to address the housing shortages and associated financial stress. The major features of the NHAF involves a $512 million dollar program geared towards stimulating the supply of new houses and making housing more affordable. The fund intends to do this by encouraging best practice in local government, speeding up development processes, reducing the burden of infrastructure charges and regulatory costs borne by developers, which are then passed onto the home buyer (Australian Government 2008), making it less affordable.

The focus here is on easing the financial hurdles in the approval process by optimizing the performance of local governments through reform and getting more savings to potential purchasers of new entry-level and moderately priced homes by making contributions to larger scale housing infrastructure (Ibid. p.6-8). However, the priority level of producing affordable housing in the NHAF is exemplified by its tertiary consideration in the the weighted criteria of the funding allocation (Ibid. p.12), where affordable projects are considered only after value-for-money for the government and projects that meet the high demand for new dwellings in areas identified by the Australian Bureau of Statistics. And unlike the Californian HRPP, accessibility and sustainability are the final consideration in the weighted criteria for boosting quality affordable homes in the housing market.

Another national funding policy set up in the 2008-09 budget to specifically address housing affordability is the Rental Affordability Scheme (NRAS). Again, this is an incentive aimed at encouraging investors through the passage of supply by offering annual payments in return for delivering affordable housing. The incentive is based per dwelling and granted when newly developed housing is leased to eligible tenants from low- to moderate-income households at 20% less than the market-based rate.

Both the NHAF and NRAS favour the investor end of the housing delivery spectrum, providing avenues of fiscal relief in order to make the process of constructing, selling or leasing houses less costly and therefore more affordable on the market. Both policies are also geared towards new, large scale projects, with 100+ dwelling proposals considered auspiciously while simultaneously neglecting the potential for smaller players in the housing market, including small- to medium-sized investors, not-for-profit organisations and community agencies with restricted capacity to build housing projects as large as major housing corporations.

The narrow carriages of both NHAF and NRAS for improving the number of affordable projects could be widened if the state government initiated a Green Spaces & Affordable Housing Program funding stream that may then be channelled to local councils. The program would be a way for broadening the field of support for affordable housing development to projects of any scale, by calculating its funding awards per bedroom instead of per dwelling in large scale developments.
Advantages & Benefits of the Program

**Increasing the number of affordable housing for low income households**

The benefit of increasing the number of affordable housing stock for low-income households is the most paramount outcome of the program. With bonus awards, dwellings that are not commonly available within dense, inner-urban areas such as 3+ bedrooms, are strategically promoted and local governments may look much more favourably towards proposals that translate extra funding for the community.

**Healthier neighbourhoods**

By partnering green spaces together with housing, the quality of public space is improved together with increasing the quantity of affordable housing. Smart growth advocates, such as the Australian Heart Foundation, believe in the potential to promote active lifestyles through good housing quality and access to green spaces (AHF 2012), while others believe that improving parks in low-income or disadvantaged neighbourhoods is key to tackling obesity prevalence amongst children at the greatest risk (Henderson & Fry 2011).

Alongside the physicality of health, good neighbourhoods are also social ones (Grattan Institute 2012). Having a local park, basketball court or better public seating areas means there are more opportunities to bump into friends, chat with neighbours or share spaces with people you would otherwise not have a chance to interact with. Social cohesion is integral to civic participation and when affordable housing can establish stability in people's lives, they are able to form a stronger sense of community identity and pride. All in all, a higher calibre of an integrated neighbourhood can be achieved when green spaces and social infrastructure is wholly supported.

**Local government as key player**

The program harnesses the planning and regulation role of local government, which arguably has been eclipsed by state and commonwealth policies that support private investor interests at the expense of low income households (Grattan Institute, 2013). Several calls to rejuvenate the power of local authorities in shaping the urban landscape and housing development in particular have been made throughout research (Tiley & Hil 2010, AHURI 2004a & 2004b,) by state governments themselves (Plan Melb 2013) and through the formation of Inner Melbourne Action Plan in 2005. The program’s model recognizes that local governments are the bellwether of neighbourhoods and are in optimum position to make decisions that help or hinder their community. By focussing on the approvals stage of housing development, the discretion of local governments can return to steering suitable types of housing into their communities. Luring council approvals with funding for local infrastructure is highly attractive to local government, as it allows much less reliance on the developer’s contribution system to deliver desired facilities in the area.

**Park Economics**

The raft of benefits and inherent value of having a good park is the cornerstone of institutions like the Centre for City Park Excellence in the United States. Similarly, advancing green infrastructure design in planning is a foundational part of the Australian Institute of Landscape Architects (AILA 2013). The economic aspects of a park are fruitful, ranging from increased property prices, tourism revenue, direct use value for residents, health cost savings, social cohesion effect of less crime, and the environmental mitigation performed when parks help clean the air and water in urban spaces (Harnik & Welle 2009).
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Appendix


Table 1. From Housing & Community Development 2013a, Program Guidelines - revised September 2013, [http://www.hcd.ca.gov/hpd/hrpp/](http://www.hcd.ca.gov/hpd/hrpp/), obtained 28 October 2013