

Getting to Yes: Overcoming barriers to affordable family friendly housing in inner Melbourne

Literature review

October 2013

Andrew Martel, Senior Research Fellow, on behalf of

Melbourne University Research Team:

Carolyn Whitzman (lead investigator), Ruth Fincher, Peter Lawther, Ian Woodcock, and Danita Tucker

Advisory Committee:

City of Melbourne, Places Victoria, Urban Development Institute of Australia (Vic), Planning Institute of Australia, Housing Choices Australia, Kate Shaw, Department of Transport, Planning and Local Infrastructure, SGS Economics, and MGS Architects



FACULTY OF
ARCHITECTURE
BUILDING &
PLANNING

Executive summary:

The Getting to Yes research project is an 18 month joint effort between researchers and industry representatives from a variety of fields involved with housing, to understand why the provision of diverse, affordable, and family friendly homes in the inner city is increasingly rare. Concentrating on the inner city municipality of the City of Melbourne, the project aims are threefold:

1. To identify the structure of the firms and organisations (development industry, government, social housing sector) that are actively engaged in developing new housing in central Melbourne,
2. To examine what key actors from these firms and organisations identify as the major barriers, risks and potential enablers to increasing affordable family-friendly housing,
3. To investigate how best practice strategies and policies nationally and internationally can be effectively adapted in the central Melbourne context.

The project, in its partnerships and methods, is multi-disciplinary and collaborative, with a key objective of fostering relationships between researchers and practitioners based on a co-research model.

The purpose of this literature review is to provide a theoretical and practical platform for the project team to engage with the housing development industry in Melbourne and internationally, across the range of issues that impact on the provision of good quality housing outcomes in central Melbourne.

The review highlights national, state and local concern about the lack of affordability and diversity in housing choice across Australian capital cities. There is increasing spatial inequality in terms of access to housing proximate to jobs and services. It describes the characteristics of the different industry sectors involved in new housing provision in the central city area: the private development industry, the social housing sector, and the role of government. The review outlines three broad areas where barriers to housing diversity are known to exist: financing and cost, planning policy and processes, and design. The last part of the review sets out a series of case studies to be examined in response to the industry structures and barriers outlined.

Table of contents:

Getting to Yes: Overcoming barriers to affordable family friendly housing in inner Melbourne	1
Executive summary:	2
Getting to Yes: Overcoming barriers to affordable family friendly housing in inner Melbourne	4
Part 1: Why is housing diversity important?	4
Defining the scope and terms of the ‘Getting to Yes’ project	6
1. Affordable housing	6
2. Family friendly housing	6
3. Central Melbourne housing	7
Project methodology	8
1. Online survey	8
2. Semi-structured interviews	9
3. Case study analysis: Local practice and international best practice	9
4. Interdisciplinary design studio	10
Part 2: Who is building what? The structure of the housing industry in inner Melbourne	11
The structure of the housing market in inner Melbourne	11
1. The commercial residential development industry	12
2. The Not-for-profit housing industry	14
3. The State and Local Government as developers	16
Part 3: Three areas of the development process where barriers currently exist: Financing, regulation and design	17
1. Financing, costs, and the housing market	17
2. Regulation: Government Planning and Taxation Policy	21
3. Design of multi-dwelling housing developments	27
Gresham’s Law, or why is design in inner city dwellings often prone to mediocrity?	28
The effect of design at different scales: the apartment, the building and the neighbourhood ...	30
Part 4: Case studies	34
1. Three Melbourne housing developments	34
The Mariner	34
The Nicholson	35
The Boyd	36
2. National and International urban renewal neighbourhoods	37
Ultimo-Pyrmont, Sydney, NSW	37
False Creek North, Vancouver, Canada	38
Portland, Oregon, USA	39
3. Financing of affordable housing developments	40
Bridge Housing, San Francisco, USA	40
References	42

Getting to Yes: Overcoming barriers to affordable family friendly housing in inner Melbourne

The aim of the 'Getting to Yes' project is to investigate how the amount and quality of affordable diverse housing can be increased in central Melbourne. The project focuses on identifying the current barriers restricting the production of affordable and family friendly housing options, and proposing ways in which those barriers can be negotiated. The interdisciplinary and partnership based approach is central to the goal of contributing to innovative research and action. The objective is to expand the horizon of what is possible in the delivery of affordable and diverse housing near jobs and services.

The project brings together a range of researchers and practitioners from across the housing development industry. The researchers come from the fields of planning, social geography, urban design, architecture, and housing economics and cost planning. The industry partners represent developers, social housing providers, housing economists, architects, planners, and local and state government.

This literature review is structured into four parts. The first part introduces the scope of the problem and defines the terms of the project and its methodology. The second part reviews current literature on the development of dwellings in central-city locations, focussing particularly on the structure of the industry that develops new housing in central Melbourne. The third part of the literature review highlights the three critical areas of financing, regulation, and design, and examines where barriers to affordable family friendly housing exist. The final part describes the local, national, and international case studies to be investigated in the research that highlight specific responses and actions towards providing greater housing diversity.

Part 1: Why is housing diversity important?

Concern regarding housing diversity and affordability has been a feature of the housing debate in Australia over at least the last two decades. Typically, the focus is on the accessibility of home ownership across the different income distributions in the community and the role of residential construction in the greater economy (Productivity Commission, 2004, Berry, 2006, Yates, 1987).

This research project comes at a time when there is active policy debate on housing diversity and affordability. In Victoria, the State Government is currently formulating its new Metropolitan Planning Strategy, and the City of Melbourne is compiling its first comprehensive housing strategy, based on its discussion paper, *Living Futures* (City of Melbourne, 2013). Several recent reports, including the Metropolitan Planning Strategy discussion paper (2012), *Melbourne, Let's talk about the future*, the Grattan Institute's (Kelly et al, 2012), *Productive Cities*, the Urban Coalition's (2013) *A new deal for Australia*, and key background papers to the City of Melbourne's *Living Futures* report (SGS Economics 2013a, 2013b), have highlighted the increasing divergence of Melbourne into two cities. A 'choice rich' inner area is characterised by high job numbers, high incomes, good public transport, extensive cultural and sporting facilities and higher density and expensive housing options. This is contrasted with a 'choice poor' outer Melbourne, with fewer well-paying job opportunities, more unemployment, a lack of public transport options, fewer cultural facilities, and low density affordable housing options that are still unaffordable to moderate income households.

Despite a succession of planning documents prioritising urban consolidation strategies, half of all housing growth in Melbourne since 2001 occurred on its urban fringe (MPS, 2012:56, Birrell et al, 2012:35). The narratives accompanying building in these two cities are also diverging, partly driven by marketing and partly a result of Melbourne's housing history and stereotypes of where people should live. Outer Melbourne is characterised as being the place for young families – an idea linked to the Great Australian Dream of an affordable detached house with a back yard – while the inner city, including the City of Melbourne, is seen as desirable only for high income DINKS and empty nesters (Fincher, 2004, Costello, 2005). Nevertheless, there is sufficient evidence that families and children do want to live close to jobs, social infrastructure and amenities, and that if affordable central options were created, they would be popular and populated (Whitzman and Mizrachi, 2012, Kelly et al, 2012).

The City of Melbourne's recently published discussion paper *Future Living* (City of Melbourne, 2013) provides a picture of a growing but increasingly one-dimensional housing market comprised of small, high density, and high-rise apartments developed for the investor-rental market. In the Melbourne local government area, 93% of all new dwellings constructed between 2006 and 2012 were apartments, and 92% of them were 1 or 2 bedroom apartments (City of Melbourne, 2013:53). The report indicates that over the period from 2001 to 2011, the population of the municipality has continued to grow rapidly, nearly doubling from 55,700 residents to 100,600. Household structure also changed; with a growth in the young working age group (25-34 years old), and a decline in children and retirement aged residents (65 years and older). In that decade, 87% of the growth of households within the municipality comprised households without children (an extra 17,985), with the remaining 13% comprising households with children, an extra 2,650 (City of Melbourne, 2012:18).

During the same decade, the number of low income households living in the municipality declined, with the number of households earning less than \$50,000 shrinking from 45% of households to 33%. The proportion of households in the middle bracket (\$50,000 to \$100,000) also declined (from 40% to 33%), while the percentage of those earning over \$100,000 doubled from around 15% to 30% (the Melbourne metropolitan area average household income is around \$80,000). Correspondingly, the distribution of weekly rent prices has shifted towards higher rents. In 2011, 66% of rental properties had rents over \$350 per week, with the median rent for a 2 bedroom apartment in the CBD/St. Kilda Road area being \$515 compared to the Melbourne metropolitan median of \$340 (City of Melbourne, 2012:20, Opteon Research, 2012).

What these numbers indicate is that the City of Melbourne, particularly in the sub-regions of the CBD grid, Docklands and Southbank, is experiencing a rapid dilution of diversity of both housing types and demographic characteristics. This in turn has implications for the economic, social and cultural resilience of the city (Kelly et al, 2012, Whitzman and Mizrachi, 2012). Several current discussion papers and policy platforms from all three levels of government, industry peak bodies, and surveys of housing consumers make explicit reference to the need and desirability of facilitating the continuing diversity of housing types and households in well serviced neighbourhoods (Major Cities Unit, 2011, Victorian Government, 2012, City of Melbourne, 2013, Urban Coalition, 2013, Kelly et al, 2011). Defining what constitutes social mix and diverse communities (and not conflating the concept of mixed development with mixed communities), and identifying specific economic and social benefits associated with diversity is difficult, as solid empirical evidence is not abundant despite the legacy of urban researchers such as Jane Jacobs. However, research in the related fields

of locational disadvantage (in health, education, jobs and so on), gentrification, and social polarisation has identified negative outcomes associated with neighbourhood homogeneity (SGS Economics, 2013b). It seems likely that the trend towards widely replicated housing types with little inherent flexibility of use, little popular appeal to long-term owner occupiers, and price points that exclude a large section of potential housing consumers, heightens the vulnerability of the central city's continued economic development, environmental sustainability, vibrancy, and social equity characteristics.

Defining the scope and terms of the 'Getting to Yes' project

In this project the following definitions of key terms are utilised:

1. Affordable housing

A commonly accepted definition of affordable housing, and one followed by this project, would describe "housing for a range of low to moderate income households that is appropriate for their needs and priced so that they can meet other essential basic living costs" (HLGPM, 2005:1). In the Australian context, a 'low income' household would be defined as households earning less than 80% of gross household median income. 'Moderate income' households are defined as earning between 80 to 120% of gross household median income (Gabriel et al, 2005). The definition is also expressed as being where 30% or less of household income goes to housing costs for households in the bottom 40% of household income distribution, where housing costs are defined as either mortgage repayments or rent.

There has been considerable debate over the validity or suitability of this definition (Gabriel et al, 2005, Marks and Sedgwick, 2008, O'Neill et al, 2008), with alternatives proposed including 'affordable living' (which expands on direct housing costs to include transport costs, proximity to jobs, and other factors). Nevertheless, the above definition concentrates on a specific sector of housing consumer most likely to be constrained by income levels from entering large parts of the housing market.

2. Family friendly housing

Given the potential diversity of any given household's composition, size and interests, there is considerable flexibility in defining family friendly housing. However, children live in the city and despite declining as a percentage of the total municipal population, the City of Melbourne is expected to be home to 10,000 children under-15 by 2021 (City of Melbourne cited in Whitzman and Mizrachi, 2012). As noted by Birrell et al:

'Most of the new (Melbourne) households needing accommodation will be young, including 241,111 aged 25-34. They will be thinking about or starting a family and thus will want family-friendly housing. Apartment living is unlikely to meet this need, especially if all that is available is small apartments' (Birrell et al 2012:vi).

In previous 'best practice' guidelines for family-friendly central cities, a suite of characteristics is recommended that go beyond requirements for numbers of bedrooms and total apartment size. In the City of Vancouver's (1992) *Guidelines for high-density housing for families with children*, key elements included the requirement for family units to have a minimum of two bedrooms, for there to be at least 20 family units in any one development, that they be located together in the lower floors of a multi-unit dwelling, and that every floor with family units should have an observation

point to overlook children's play areas (City of Vancouver, 1992). The guidelines also stipulate recommended distances to key infrastructure (child care, schools, transit stops, shops and playgrounds). A 2008 post occupancy evaluation of False Creek North in Vancouver, found that while generally happy with their circumstances, families with children nevertheless expressed 'dissatisfaction with too few bedrooms, bathrooms and small kitchens' (Beasley et al, 2008:18). Given the severe shortage of three or more bedroom dwellings in the City of Melbourne compared to one and two bedroom dwellings, this project defines 'family friendly' housing as having at least three bedrooms, and appropriate interior design, including adequate storage space. In addition to appropriate dwelling size and layout, family friendly housing requires access to key infrastructure, such as childcare, schools, libraries, community centres, grocery shopping, and parks and open space (Whitzman and Mizrachi, 2012).

A recent SGS Economics (2013a) report noted a likely small demand for families in the central city due to a combination of a lack of suitable dwelling types and the child-friendly infrastructure mentioned above in the City of Melbourne compared to other inner and middle established neighbourhoods. However, the same report highlighted potential expanding demographics including knowledge workers, students and health workers. The age and gender profiles of the latter two groups suggest that they are likely to contain family units or be considering starting families. The form of current student housing in central Melbourne is notable for the lack of housing designed for post-graduate students, typically mature aged students (particularly international post-graduate students), who often have young families. This lack distinguishes Melbourne from other international student cities such as Boston, New York, Montreal and London (Fincher et al, 2009).

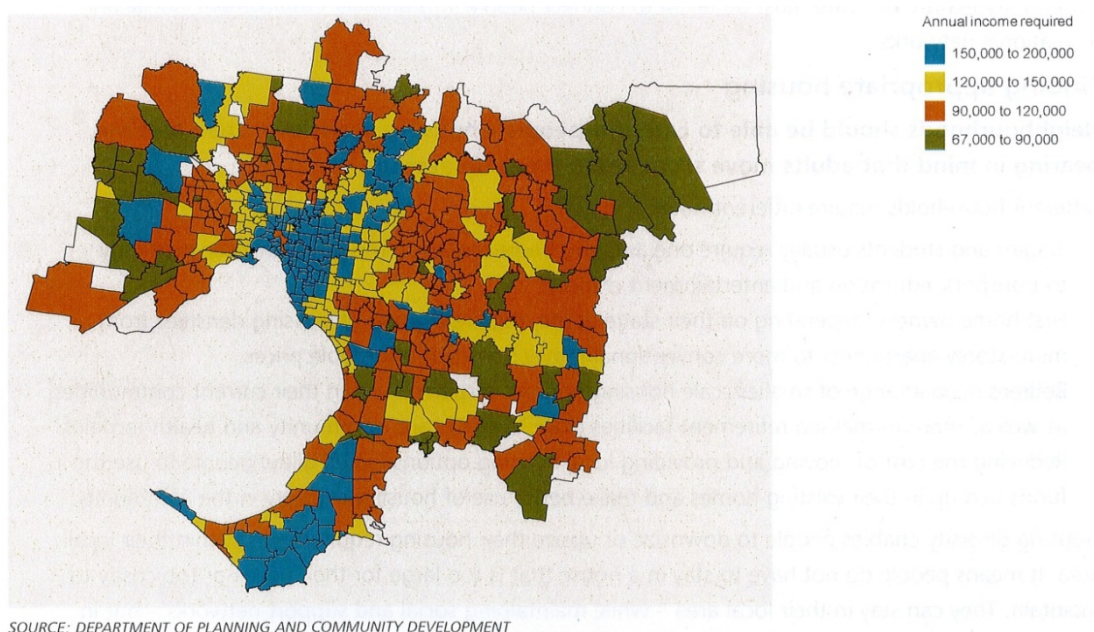


Figure 1: Housing affordability for families with children across Melbourne (MPS 2012:35)

3. Central Melbourne housing

For the purposes of this project, central Melbourne housing is defined as being housing contained within the municipality of the City of Melbourne. This consists of 14 'small areas' or neighbourhoods. Three of these have seen the majority of growth over the last decade, the CBD grid (37%), Southbank (15%), and Docklands (8%) (City of Melbourne, 2012). Over the coming decades these

areas are expected to continue to see housing growth along with predicted ‘new’ growth areas E-Gate, Arden-Macaulay, and City North (Carlton). Although currently mostly outside the City of Melbourne’s boundaries, the area of Fisherman’s Bend is also likely to see strong housing growth.

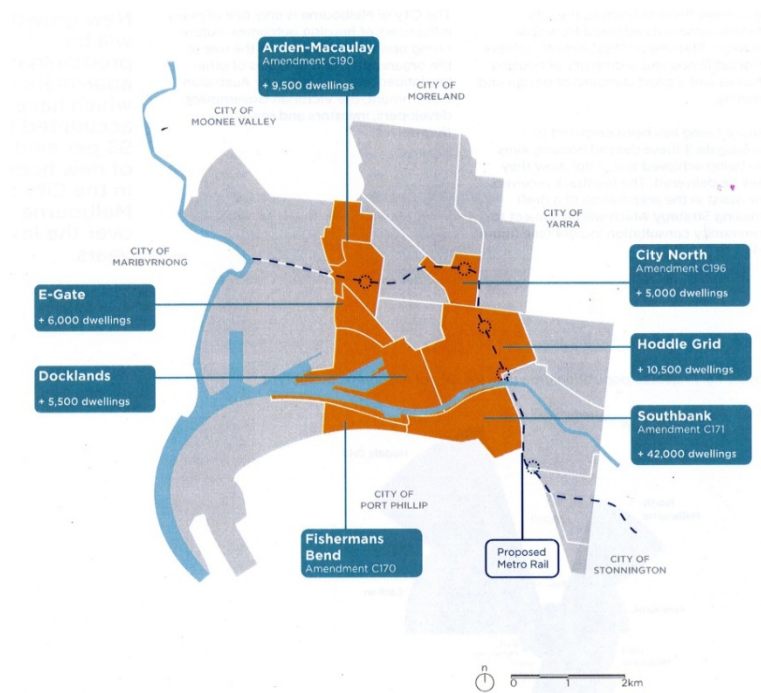


Figure 2: The location and capacity of the City of Melbourne’s urban renewal areas (CoM, 2013:13)

Project methodology

Reflecting the diverse sectors of the housing development industry, the project team is comprised of multi-disciplinary researchers and industry practitioners. We are employing a mix of research methods, including a desktop based literature review, an online survey of key Melbourne actors, semi-structured interviews and case study analysis in Melbourne, Australia, and internationally,, and a multi-disciplinary design studio.

1. Online survey

The initial data collection for the project is an online survey targeted at understanding where current practitioners and professionals from Melbourne’s development, social housing, planning and design industries see the major barriers, potential enablers, and risks involved in providing affordable, family friendly housing in the City of Melbourne. The survey sought to establish what built developments or schemes are considered successful examples of affordable, family friendly housing in Melbourne, nationally, and internationally. The survey was distributed electronically by the peak bodies from the development industry (Urban Development Institute of Australia and Property Council of Australia), the social housing sector (Community Housing Federation Victoria), the planning industry (Planning Institute of Australia), and the design industry (Australian Institute of Australia (Victoria)). Building on information from the literature review, the survey is divided into three sections:

- Participant background
- Barriers, enablers, and risk involved in affordable family friendly housing provision, and
- Examples of best practice in Melbourne and nationally/internationally

The survey questions were premised on three hypotheses:

Hypothesis 1: Participants working in housing in the inner Melbourne area have worked in their industries for a significant period of time (over 10 years), and have been involved with multiple projects

[Building in inner Melbourne is a complex undertaking so participant firms and organisations (market, social and government), tend to be larger and more sophisticated encouraging more specialisation]

Hypothesis 2: Participants in the different sectors of the housing development industry in inner Melbourne see the most substantial barriers and enablers to affordable housing belonging to their own sector

[Although complex, inter-related and sophisticated, the inner Melbourne development industry still operates as a set of independent actors interested in individual firm/organisation sustainability not industry wide sustainability]

Hypothesis 3: Examples of best practice (and of ‘worst’ practice) are well known within the inner Melbourne development industry but are largely ineffective at driving changed behaviours

[The specialisation, complexity and size of firms/organisations encourages conservatism (‘we know this works because we have done it before’) as risk taking involves the cooperation of multiple risk averse actors]

The survey results were analysed to examine the relationships between industry structure, professional practice and knowledge, and perceptions of barriers, enablers, and risk. The results are published in the Survey Final Report, on the project’s website.

2. Semi-structured interviews

The second component of new data will be collected through semi-structured interviews conducted with key industry figures in Melbourne, nationally and internationally. One set of interviews will consist of personnel associated with the case studies (see below, approximately 10 interviews), while the second will concentrate on key personnel from the development, social housing, planning and design industries in Melbourne (approximately 30 interviews). The intent of the interviews is to build on the information gathered from the online survey, investigating the cause and effect of sector specific and industry wide barriers that hinder the production of greater housing diversity. They will highlight the ways in which particular barriers were overcome in delivering specific projects.

3. Case study analysis: Local practice and international best practice

Building on the survey and interview approach, the project will examine several case studies locally and internationally. These provide examples of realised projects where strategies utilised to facilitate development can be identified, and outcomes (in terms of affordability and design appropriateness) can be assessed. As such, the case studies provide opportunities to learn from the successes and failures of others. There are three levels of case studies proposed for the ‘Getting to Yes’ project. The first involves built examples in central Melbourne where efforts have been made to

address the shortage of affordable and family friendly housing. Three projects will be studied in depth with interviews of key participants, while three other recent projects will be reviewed using available data sources. The next level looks at national and international best practice housing initiatives at a neighbourhood or suburb level. Three examples, one national and two international will be studied including interviewing key participants. The final case study focusses on a specialised housing development company that operates in the affordable housing field, with a focus on how they access funding for new projects. A study tour with industry representatives of the international best practice case studies is scheduled for early in the second year of the project. The proposed case studies are outlined in detail in part 4 of this report.

4. Interdisciplinary design studio

An interdisciplinary design studio will be run by the University researchers, industry partners and students from the Masters of Architecture, Masters of Urban Planning and Construction Management programs of Melbourne University's Faculty of Architecture, Building and Planning. The studio will investigate providing mixed-use social housing in the Arden-Macaulay area of the City of Melbourne. The intent of the studio is to bring together the project team in an environment of collaborative research through design. This approach aims to facilitate discussion of alternative approaches to housing development, and allows the industry partners to impart their expertise and knowledge to the students. The interdisciplinary nature of the studio allows the design aspect of the housing to be grounded in respect to neighbourhood place-making, key stakeholder engagement and costing. The outputs from the studio will contribute to expanding the boundaries of housing diversity in inner city areas.

A final report detailing the results of the different methods (survey, interviews, studio, and international best practice case studies) will be produced at the conclusion of the project.

Part 2: Who is building what? The structure of the housing industry in inner Melbourne

“The reality of property development is that it is a high cost and high risk business activity that requires a commensurately higher financial return.” (Charter Keck Cramer, 2012:27)

“Medium density and multi-unit housing is here to stay, the spatial division of housing markets is likely to worsen, the inner city will be increasingly non-affordable, the building industry will become more complex with greater product differentiation, and the private rental sector will become more important and more problematic (particularly for low income households).” (Burke and Hayward, 2000:7)

Recent research by Rowley and Phibbs (2012) on delivering affordable and diverse infill housing in Perth and Sydney highlighted the importance of the private development sector. The report noted common barriers that impacted across the multiple stages of housing development (from site selection and feasibility through to construction and completion). It also detailed the role of distinct market characteristics in Perth and Sydney that reflected each city’s particular history, geography, and demographic profile.

Similarly to Sydney and Perth, new housing stock in the inner city area of Melbourne is almost exclusively supplied by private commercial developers with a small minority provided by not-for-profit housing associations, or by government agencies. In the period from 2006 to 2012, commercial developers supplied 97% of all new dwellings in the City of Melbourne (City of Melbourne, 2012:14). In different circumstances commercial, government and social housing providers may compete against or collaborate with one another. Each of these developer sectors operates in a different economic, social and political environment, although all are necessarily connected by geography. In addition to the operational environment, each sector is composed of a unique collection of agents and actors (companies, organisations, individuals) with distinct characteristics of scale, scope, and competencies. In order to understand what factors act as barriers to the provision of affordable family friendly housing and critically, how and why they present barriers (and may be overcome); it is necessary to understand the composition and nature of Melbourne’s current development industry.

The structure of the housing market in inner Melbourne

Building on the work of Ball (1983) and his structures of housing provision method, the delivery of housing in the central city area can be conceived of using a system of provision methodology (Burke and Hayward, 2000). Also sometimes termed an ‘institutional framework’ approach (Burke and Hulse, 2010), it identifies the various institutional players involved and ‘locates them within the context of broader social, economic, political, technological, and demographic changes’ (Burke and Hulse, 2010:824). The structure of the housing system is categorised into four sub-systems:

1. Production: the nature and techniques of land ownership, land assembly and housing production
2. Consumption: the forms and methods by which people and households use housing
3. Exchange: the practices and institutions which facilitate the buying and selling of housing, or the allocation of dwellings to particular households on a bureaucratically determined needs basis’

4. Management: the practices by which the housing system is managed, including policy and planning at all levels of government (Burke and Hulse, 2010:824)

Each sub-system operates via its own set of internal rules, habits and regulations, sometimes complimenting each other and at other times working at odds with different sub-systems. In addition, it is necessary to remember that housing systems 'operate within dynamic open systems', that is, external factors such as inflation, employment, poverty, and so on, affect the housing market. This means that most housing 'problems' cannot be solved by purely internal housing solutions, such as new construction technologies, but must be tackled using a range of strategies (King, 2001). The discussion below concentrates on the first three of the sub-systems: production, consumption and exchange.

1. The commercial residential development industry

There are three main functional elements of housing development:

1. Residential land development (land acquisition, regulatory approval, infrastructure provision)
2. Housing production (building the dwellings)
3. House marketing and sales (sale and transfer to new owner) (Ball, 2003:902)

The size, type, and relationships between firms working in the three areas vary within different housing sub-markets. In greenfield developments comprised primarily of detached, single- or double-story family houses, the ease of entry and exit of new firms is high due to the relatively low complexity of the building techniques and the use of sub-contracting. So the housing production sector, the builders, tends to consist of multiple, small companies. Through the use of sub-contracting, there may be many thousands of companies operating that consist of fewer than five people (a 1997 ABS census noted 31,000 businesses in residential construction in Australia, each employing an average of 2.3 people (Dowling, 2005:451)). However, from a land development perspective, there is an economic incentive to be large in scale, as this facilitates the effective subdivision of land into individual allotments. It therefore allows for practices such as land banking that give a large developer a degree of control over the supply of available land. In this context, it is in the interest of the developer to be separate and distinct from the house builder, to encourage competition between the many, small building companies. In the inner city areas however, land scarcity and government policies of urban densification encourage the construction of higher density, multiple-dwelling developments (see Figure 3 below). These are complex to build and finance, and so the tendency is for construction firms in this area to be larger, more sophisticated, and to have higher staff levels in order to preserve corporate knowledge and expertise. The higher barriers to entering this building market also encourage the formation of a small number of large firms. Land development is also more complex in the 'commercial' or higher density housing market, but in this area there is an incentive for developers to be directly involved in the construction process, as this is a way for them to control supply and demand in the market, otherwise, they would lose control of the design process that is necessary for them to successfully occupy particular segments of the market. As noted by Ball, 'Firms' strategic choices over market segments in which to be active, therefore, simultaneously have implications for their internal organisational structures and management needs' (Ball, 2003:906).

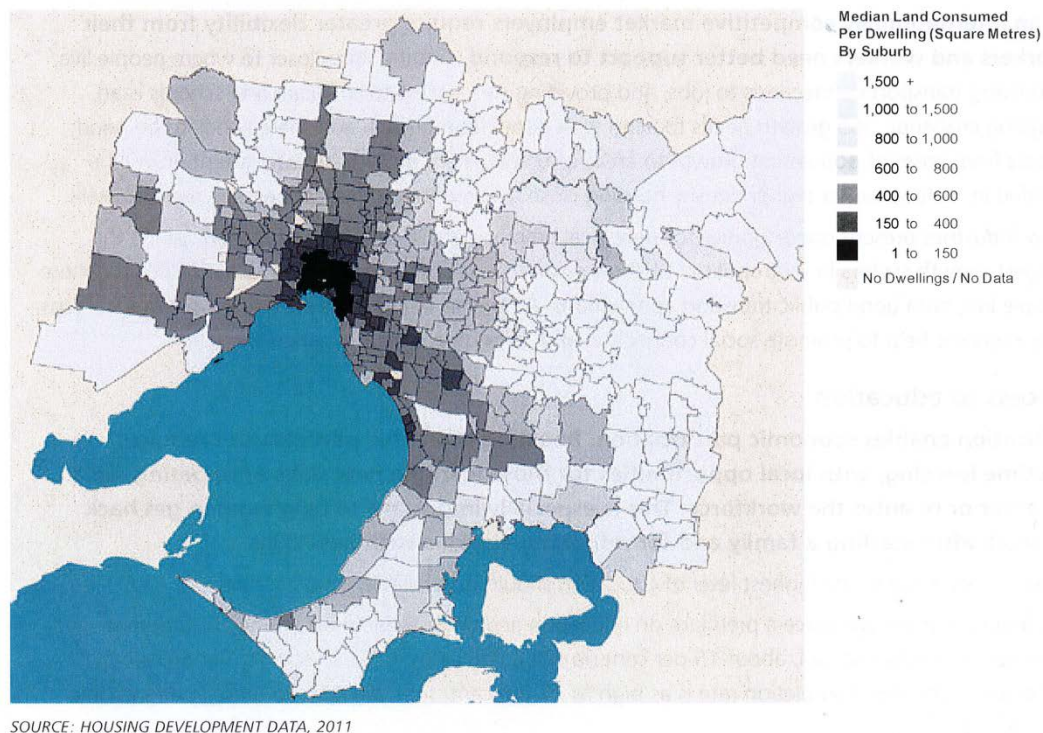


Figure 3: Housing density variation across Melbourne (MPS, 2012:31)

Studying the development of the Australian residential housing market in the decade from 1993 to 2003, Dowling (2005) found that the importance of larger companies increased, sector (detached or multi-unit) diversification increased, and geographical reach also increased (Dowling, 2005:461). For example, firms that employed less than 5 people (77% of the housing workforce), accounted for 53% of total turnover, while firms that employed over 20 people accounted for a disproportionately high 23% of turnover. Larger companies increased their market share, with the largest 100 builders constructing 26% of all new dwellings in 1993 and 41% in 2003. The market share of the largest 20 apartment builders increased even more dramatically, rising by two thirds between 1993 and 2003. In 1993, the largest five apartment builders built 10% of all new apartments; by 2003 they built 25% (Dowling, 2005:454-458).

In central city areas, developers operate within a distinct real estate market. Real estate markets are subdivided into submarkets by sector, geography and motive for acquisition (i.e. use, investment and development). Unlike most markets, real estate is not one commodity, but a bundle of commodities that cannot be independently priced and traded. Consequently, markets or submarkets should be thought of not just in terms of similar products, but groups of products with closely substitutional attributes, where sub-markets consist of a distinct group of buyers (not products). Product substitutability (differentiation) is a measure of concentration, and there is a trend to further segmentation of submarkets, in the residential sector for example, along lifestyle and lifestage lines (Coiacetto 2006:7). Consumer expectations of 'finished high quality homes' effectively makes development more complex, raises entry costs and requires a larger-scale, more complex organization which in turn necessitates higher output levels to keep staff employed. As noted above, it is also useful for firms to be large enough to possess varied land banks since market changes may affect the kind of sites required. It is in firms' interest to segment markets as segmentation "segregates customer groups by demand elasticities and makes broad entry (for new developers)

more difficult". In housing, segmentation occurs increasingly by lifestyle, lifestage, income, and along lines of existing home ownership. Over time, firms evolve an internal structure and staff expertise and acquire landholdings to match their targeted submarkets (Coiacetto 2006:13-15). Melbourne's private commercial sector housing development industry follows this pattern, and is split between a large number of small scale 'domestic' house builders and a smaller (but significant) number of larger scale 'commercial' housing developers. The growth of these larger firms accelerated in the 1990s and they are quite different from outer suburban developers:

'These builders are considerably different to those who build detached houses. First is their geography, in that whereas most detached home building occurs on the urban fringe, most multi-unit building is located in the middle and particularly inner urban areas. Second, whereas few detached house builders are engaged in land development, this is not necessarily the case with higher density developments, with many of the builders assuming the role of developer. The third difference is the nature of the construction work itself, with much greater use of prefabrication and techniques often associated with commercial construction. The final difference is that the developments often begin on a speculative basis in much the same way that detached housing did in the 1950s and 1960s (Burke and Hayward, 2012:28).

2. The Not-for-profit housing industry

There is a small but growing social housing sector development industry in Melbourne (often referred to as the not-for-profit sector). 'Housing Associations' are not-for-profit organisations designated by the Victorian State Government as eligible to receive government money to build new dwellings. The biggest single difference between the operations of housing associations and private developers is that the housing associations continue to manage the tenants within their developments. There are eight registered housing associations in Victoria (there are also 'housing providers' but these organisations do not instigate new construction or own property, that is, they do not act as developers like housing associations).

Name	Properties (long term)		Tenancy units	Staff	Region-client profile
	Manage	Own	Total		
Common Equity Housing Limited	-	2072	2086	48	Low income singles + families
Community Housing Vic	1171	908	3008	118	Low mod income, indigenous, chronic illness/disability
Housing Choices Australia	1463	1125	1862	56	Singles, families with disability, low income key workers
Haven	902	870	2064	99	Singles, families and low income key workers
Port Phillip HA	596	594	1614	22	Singles, couples, families, aged
Rural Housing Network	401	272	923	49	Wide
Yarra community Housing	180	166	3105	80	Young, singles, families, low income key workers
Wintringham Housing	405	199	405	10	Elderly (+50) men and women

Table 2: Social Housing Associations active in Victoria (source DHS 2013)

Housing associations must compete for development sites with private developers on the one hand, while also competing for funding from government and private sources (sometimes competing for money with the same government department responsible for distributing funding). Housing associations may purchase existing properties, be gifted properties by other social service providers or instigate new construction. Typically government will supply 75% of capital funds with the housing association being required to source 25% from elsewhere. Although the money is delivered to a not-for-profit organisation, in engaging private sector builders, or going into partnerships with private sector developers, it is estimated that 95% of the capital cost of not-for-profit housing is paid to the private sector (developers, architects, lawyers, builders, and trades). In addition, the private sector potentially brings expertise, experience, and scale to take on complex and risky projects (development, construction and financing), as well as cost discipline (Black 2012:20). Private sector involvement is also seen to be politically favourable (Black 2012:21).

Like private developers, housing associations must meet strict financing requirements, and in addition must balance competing interests such as effectively matching its housing stock with prospective tenants, while maintaining the flexibility to sell stock at a profit to fund further expansion. In this sense, housing associations act similarly to private developers in identifying specific market segments that reflect tenant's preferences, putting into place strategies to purchase or build dwellings appropriate to that market segment. Historical differences in the circumstances of individual housing association's formation reflecting their 'target' clientele will influence the type, size, and location of dwelling stock that is considered suitable.

A recent AHURI report into the strategies and dynamics of Australian not-for-profit housing providers by Milligan et al (2013) found that the sector as a whole has up-scaled, commercialised, and diversified in response to changes in policy, funding and regulation. In particular, the Nation Building Social Housing Initiative (NBSHI) and the National Rental Assistance Scheme (NRAS) has provided a boost for the sector (although both are now discontinued). There has also been an increase in transfers of properties from State governments and a restructuring of social housing rents to allow the Commonwealth Rental Allowance (CRA) to be more effectively captured by social housing providers, improving their revenue stream. In the three years since the Global Financial Crisis, new relationships have been formed with banking lenders and development partners (Milligan et al, 2013:2). The major shift in strategic positioning of many organisations focussed on:

- Broadening their service remit to include low and moderate income households
- Acquiring and using property assets to develop their businesses
- Securing larger tranches of private finance for housing development
- Extending the geographical area of their operations across regions, state borders or nationally (Milligan et al, 2013:3)

These changes have encouraged a broadening of stakeholder relationships, and changes in organisational structure. The trend has been to become larger, with increased focus on organisational governance and executive capacity, in particular in the fields of financing, property development, asset management, and business development (Milligan et al, 2013:5). These changes largely mirror the process undertaken by the development industry in the 1980s and 1990s, and consequently carry similar risks.

3. The State and Local Government as developers

The State Government is also an important player in the development of housing in Melbourne. Through the Department of Human Services, the State is responsible for around 96,000 households who live in social housing (public or community housing), managing just over 80,000 dwellings across the state including 42 high density towers concentrated in more than 20 sites in the inner suburbs of Melbourne. The government has recently begun a series of major redevelopments of several inner city housing estates including ones at Kensington, Carlton and Atherton gardens in Richmond, in which existing public housing dwellings have been demolished and replaced by a mix of public and private dwellings (DHS, 2013). In 2011, the Department constructed around 950 new dwellings and acquired a further 3,750 existing dwellings across the state (DHS, 2011).

In addition to public and community housing provision, the government's urban development arm, Places Victoria, the Victorian government's urban renewal organization, has responsibility in facilitating projects in the established suburbs of Melbourne, including inner city areas such as Docklands and Fisherman's Bend. The authority is charged with finding a balance between both commercial and social objectives in promoting housing affordability, with its Act stating that it seeks to 'promote housing affordability in relation to urban renewal projects' (section 7(1)), whilst acting 'commercially'. While Places Victoria will occasionally participate directly in a particular development, such as the Nicholson Building (see case studies in section 4), in general the role is in assisting to get land parcels development-ready and negotiating sales to developers from either the private or social housing sectors.

At the local government level, the City of Melbourne has not traditionally been responsible for producing new dwellings, with their primary role being to administer the various planning regulations and controls operating in the City. However, the City of Melbourne has in the past played an active role promoting new housing within its municipal boundaries. Most notably in the Postcode 3000 program of the 1990s, which offered developers a variety of incentives to convert underutilised commercial buildings in the central city area to housing, and to build new high-density housing developments. Recently, the City has embarked on an urban renewal project that has included new community infrastructure and a joint venture project to build affordable apartments, in which the City of Melbourne is effectively acting as a developer (see the Boyd Development in part 4). However, notwithstanding state and local government activity in new dwelling construction as noted at the beginning of part 2, 97% of all new dwellings constructed in the City of Melbourne's municipality from 2006 to 2012 were built by the private development sector (City of Melbourne, 2012:14).

Part 3: Three areas of the development process where barriers currently exist: Financing, regulation and design

Recent research by Rowley and Phipps on affordable infill housing in Sydney and Perth highlighted the fact that barriers to provision of a diverse of housing types exist at all stages of the development process (Rowley and Phipps, 2012:4), and that the complex environment of high density housing development is central to the difficulty of providing affordable family friendly housing in inner city locations. This complexity requires extensive risk management strategies to be implemented by all parties involved, and this in turn has tended to entrench conservative and change-adverse behaviour throughout the industry. As noted above, 93% of the new dwellings constructed in the City of Melbourne between 2006 and 2012 have been apartments, and 92% of them have either 1 or 2 bedrooms. Building on previous research on the Australian commercial residential development industry (particularly Rowley and Phipps, 2012, Burke and Hulse, 2010, Birrell et al, 2012), and discussions with key industry representatives in Melbourne, this research project focuses on three categories of barriers to the production of affordable family friendly housing.

1. Financing, costs, and the housing market

The first area where barriers to producing three (or more) bedroom dwellings at prices affordable to households on moderate income levels lies in the nexus between development financing, the cost of construction in the inner city and the resulting price point that dwellings are able to be brought to the market. For an affordable and family friendly housing development to be fiscally feasible, the return-based needs of the three related, but distinct, cost factors need to be satisfied. As the figure below illustrates stylistically, the overlap may be difficult to achieve.

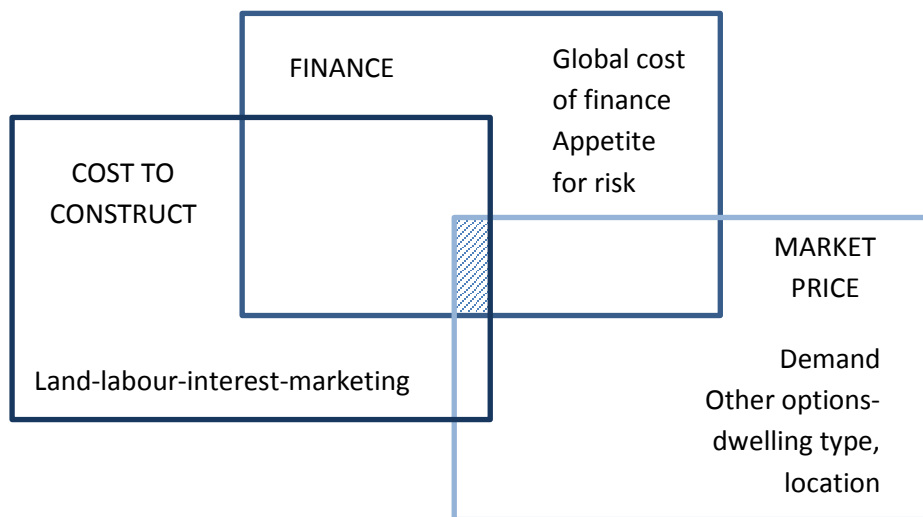


Figure 4: The interaction of financing, cost and the housing market

In the most general terms, housing finance is 'what allows for the production and consumption of housing' (King, 2001:2). It includes money to build, maintain, rent, pay loans or mortgages, and manage dwellings. Housing finance exists to make good quality housing affordable to everybody, and this is ultimately why governments (local, state and federal) are involved in the housing system (King, 2001:6). Housing finance provided by the private banking system may be divided into two main categories:

- housing finance provided to individuals to purchase a property (for either occupation or investment purposes), this type of loan is usually contingent on the loan to value ratio (LVR)
- housing finance for development provided to private (or publically owned) companies to develop new residential properties for sale, here the loan is contingent on the loan to cost ratio (LCR) (Bryant, 2012).

Both the demand (purchase) and supply (development) forms of financing will effect housing production. However in the post-GFC environment it is the supply side funding of new developments that has contracted more significantly than demand side lending by banks (although that has been affected by lower consumer confidence and greater debt aversion by potential purchasers).

Notwithstanding tightening credit availability, the majority of multi-unit residential developments commenced in the inner city area are financed by third parties, most typically banking institutions. Developers (either private or housing associations), are required to meet strict funding and revenue criteria in order to secure funding to proceed. The funding environment is strongly influenced by global financial activity, and by the current risk profile of the lending institution, which in turn influences the risk assessment of individual building projects and hence the cost of finance. For lenders, there is usually no positive cash-flow for the life of the loan, interest is capitalised and the loan repaid only on the successful completion of the project. To compensate for the increased risk, lenders receive a larger return on margin and fees. Consequently, 'the credit risk appetite of lenders to property development, and their access to specialist skills to identify, forecast and assess the many risks involved is a key determinant of the success of this type of finance, and hence of its availability' (Bryant, 2012:2). This situation privileges larger and more established development firms, particularly where they have an existing relationship to one or more financial institutions.

Credit assessment of both developers and their development proposals is complex and opaque process. Each application is assessed on a case by case basis, and involves significant data exchange between the parties. In simplified terms, credit assessment can be broken down to the five Cs (see table below) (Bryant, 2012).

Five Cs	Description	Includes
Character	Appraisal of the borrower's integrity	Character Competence identification Social + financial stability Honest and reliable
Capital	Appraisal of the borrower's financial strength	Assets and liabilities statement Title searches Gearing
Capacity	Analysis of the borrower's capacity to pay	Cashflow Confirmation of income/project revenue
Conditions	Analysis of key external and internal factors	Loan conditions and covenants Market and economic conditions
Collateral	Appraisal of security availability to support the borrowing	Mortgage Guarantee Lein Multipartite agreements Fixed/floating charges

Table 3: 5 Cs of credit assessment (Bryant, 2012:4)

In the post-GFC environment, both the number of institutions providing development loans and individual institutions appetite for new lending has decreased (See Table 4 below). In Queensland, the number of lenders fell from 44 to six immediately post GFC, and is now four, the four 'big banks' (Bryant, 2012).

The Federal and State Governments may also supply financing for certain building projects, or provide incentives or rebates that may be accessed by private or housing association developers, such as the previously mentioned NBSIH and NRAS funds.

Key lending criteria	Pre GFC (2007)	GFC Trough (2008-2009)	GFC Recovery (2010)
Sponsor	Anyone	Only very experienced	Experienced – very experienced
Sector	All sectors. Some were specialist in residential only	Majority residential only	Majority residential only. Limited appetite for other sectors
Location	Anywhere in Queensland	Major centres of SEQ only	Majority prime metropolitan locations only. Some appetite returning for major regional centres
Gearing (LCR)			
Senior	80-85%	0-70%	60-75%
Mezzanine	90-100%	Nil	80-85%
Equity	0-20%	25-100%	15-20%
Pre-sales	0-60%	100-110%	80-100%
Pricing			
Senior	1.5-2.2%	2.5-4.5%	2.5-3.5%
Mezzanine	15-20%	nil	20-30%

Table 4: Key changes to lending practices caused by the GFC (Bryant, 2012)

In addition to financing availability, cost is a critical potential barrier to diverse housing provision because the cost to produce a dwelling does not exist in a vacuum. At the core of the current dilemma in central Melbourne is the mismatch between what low to moderate income households (particularly those with children), can reasonably afford to pay towards housing costs and the price points that developers (private or social housing) can supply housing to the market.

Costs for private sector developers include; land, government taxes and charges, professional fees, construction, development costs and interest payments, and developer profit. Typically, construction costs are the largest component accounting for between 40 to 60% of the total (Urbis 2011). Housing associations face the same range of costs, with a reduced level of profit, however, they are required to manage and maintain the dwellings after occupation, and so incur ongoing costs not borne by the private developer industry.

In addition to the absolute total cost of a project, the timeline of cost outlays places particular risks on a developer. Bryant (2012) describes the timeline of developer costs as 'first in-last out'. Even once financing has been approved by a lender, this is usually only released once the construction stage of the project is reached. Before then, the developer must secure land, apply for and receive planning and regulatory approval, develop designs, market and pre-sell apartments. Only then will

construction funding be released. It is the developer's own equity that must finance these initial phases. Once the project is fully completed, all stakeholders must be paid, with the developer essentially keeping what is left over. As construction costs escalate significantly for buildings that are taller than 4 or 5 storeys, high-density, inner city developments (typically 20 storeys or taller) advantage larger development firms with access to greater equity.

Infill - summary of cities, 2010

National Dwelling Cost Study

Executive summary

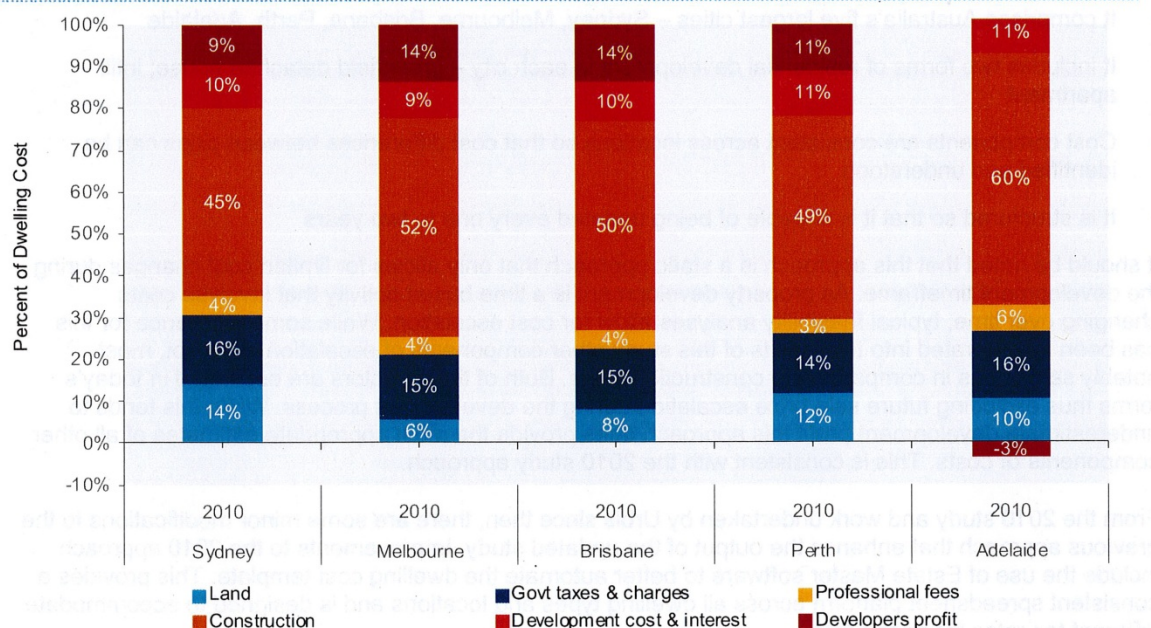


Figure 5: Breakdown of cost of infill housing in Australia (Urbis, 2011:2)

Cost profiles also affect the type of dwellings that get built. In Melbourne, the attractiveness of high density apartments as dwellings is tied to the price of free standing houses. The traditional preference for free standing houses amongst many housing consumers means that unless the median cost of a free standing house is significantly greater than the median cost of an apartment in a neighbourhood, no viable apartment market would exist in that neighbourhood (Charter Keck Cramer, 2012). And that:

“Apartments as a mainstream housing form will not proliferate in suburbs where the economic costs of delivery are not supported by the relative house price structure (*i.e. they must be cheaper than houses*), ... a similar logic (for investors) dictates that any planning policy that supports affordable, large family sized apartments will be ultimately undermined by the reality of the current project financing environment which rewards a ‘more of the same’ approach and stifles innovation in product design and mix” (Charter Keck Cramer 2012:29).

That environment reflects the fact that the relative cost of building three or more bedroom apartments cannot at present meet the section of the market where demand is greatest, and so preference is given to providing cheaper one and two bedroom apartments in areas (such as inner Melbourne) where they do meet the price point of the major demand sector – housing investors.

Development related factor	Cost-related factor
Profit	Developer's margin/profit Builder's margin/profit
Contingency	Dependent on risk. Can reduce over life of project as costs/risks are addressed
Finance	Cost and availability of finance for developers Cost and availability for purchases and investors Availability of grants, subsidies, incentives
Duties and taxes	Stamp duty Land taxes Council rates GST Developer contributions
Marketing and sales	Costs to market property and secure sales
Legal	Cost to develop and execute contractual documentation
Construction	Cost to build (materials, labour, time, etc) Workforce availability Industrial relations ESD
Planning	Council planning requirements Approval process (time) 3 rd party appeals
Design	Dwelling standards
Remediation	Cost of remediation Environmental audit requirements
Land	Cost of land (influenced by availability, location etc)

Table 5: developer cost breakdowns (Places Victoria 2013)

2. Regulation: Government Planning and Taxation Policy

The role of government planning policy and regulation is both a necessary and contentious one, where individual actors can often be seen advocating for both more and less government intervention at the same time. Rowley and Phipps (2012) note in their research on the private sector providing diverse and affordable in-fill housing that:

“The suggestions put forward (by the development industry) ... reflect, on the one hand, a desire for less public sector involvement to let the market operate efficiently but, on the

other hand, necessary public sector intervention to secure affordable housing in what are often high value areas” (Rowley and Phipps 2012:2).

As noted above, governments have an interest in ensuring that appropriate and affordable housing is available for all citizens to ensure social and economic stability. How the government intercedes in the housing market is in large part determined by the structure of the welfare system in a particular country. Where housing is concerned, Australia is generally characterised as a liberal market economy, with the market the primary distributor and allocator of housing related goods and services, and the government acting as a support or ‘provider of last resort’ (Burke and Hulse, 2010). Another factor in government intervention into housing is a country’s system of governance. Australia, like the US, Canada and Germany, has a federal, not unitary, system comprising Federal, State, and Local Government entities, and so governance and housing policy is split over those three levels. Finally, a country’s judicial and regulatory environment will impact the extent and form of government intervention. Australia, reflecting its historical links with the English legal system, has a strong emphasis on the protection of private property rights. This affects housing issues such as planning controls and tenant’s rights, and as noted by Burke and Hulse;

‘In both these areas, the (Australian) state has adopted a much more circumscribed role than in a number of other countries...with the result that land use planning and residential tenancy legislation are much weaker instruments of housing policy’ (Burke and Hulse, 2010:826).

Beer et al (2007), has suggested that State and Federal government preferences for a neo-liberal market based solution to housing affordability and housing diversity have led them to rely on ‘institutional’ (that is, ‘directing’ not ‘doing’) planning mechanisms coupled with tax concessions, that have proved largely ineffective, and that ‘government’ has largely given way to ‘governance’ (Beer et al 2007: 13). Housing and urban infrastructure that gets built in Australian cities seldom reflects housing and urban policies and plans formulated by the various levels of government, in part because of the effective disarray in coordination between and within the levels of government. While government retains responsibility across the different levels ‘actual delivery is outsourced to the private sector’ (Tomlinson et al, 2013:6). Nevertheless, there are numerous elements of current Australian planning policy and regulation that affect the viability of particular development projects, including restrictions on land use, height and density limits, approval processes and community consultation, and third party appeal rights. In addition, larger projects are subject to greater levels of workplace safety regulation than less complex building projects.

Planning and regulatory controls are supply side interventions by government are designed to expand the supply of housing in order to lessen price pressure due to scarcity, and to provide a greater range of housing options. In the recent past, supply side housing/building programs have also been (primarily) to ensure ongoing construction industry jobs to support the wider economy, such as recently the NBSHI and BER programs.

It is a widely held idea regarding the lack of housing affordability in Australia that, “The key and underlying issue is a lack of housing supply” exacerbated by the cost of land, cost of construction, and the cost of finance (National Housing Supply Council, 2012). The Council predicted the housing shortfall (gap between estimated underlying demand and supply) to be approximately 10,000 in Victoria.

Supply side planning responses include:

1. Increasing the land available for housing. The Government may increase the amount of land designated as being within the Urban Growth Boundary (UGB). Melbourne's UGB was formally established in 2002, and has been extended four times since then, most recently in 2009 (by 43,000 hectares) and 2012 (by 6,000 hectares), and now covers an area of approximately 2,800 square kilometres (Buxton and Scheurer, 2007; Vic Gov 2009). In addition to assigning new land, the government may rezone existing land to allow for residential development (where not previously permitted). Currently, the Victorian Government is in the process of converting all land zoned residential into one of three new residential zone categories, two of which will allow for medium density development (MPS 2013). The Government may also audit and release land owned by various government entities, such as VicTrack which manages government owned land connected to the railway network, that is located in suitable areas and has been made 'development ready' for tender by private or social housing development companies (Housing Choices Australia, 2013).
2. Streamlining planning applications and appeal rights (including extending 'as of right' approvals for small infill higher density developments). A second supply side strategy, also known as barrier reduction, involves government incentives to streamline subdivision design requirements for projects that include an affordable housing component. Specific strategies include ensuring faster approval of preferred developments and the overruling of local planning restrictions on development scale or type (Gurran et al, 2008:29).
3. National Affordable Housing Agreement (NAHA): Formally the Commonwealth State Housing Agreement, this is a Federal Government policy framework that provides subsidies to programs to assist low and moderate income households access housing. It is intended to increase the supply of social rental housing nationwide by around 20,000 dwellings (COAG 2009). Although a Commonwealth initiative, the State governments have responsibility for the implementation of the various programs and initiatives (Milligan et al, 2009:59).
4. National Rental Affordability Scheme (NRAS): One of the initiatives contained in the NAHA, the NRAS scheme is a program where the Commonwealth Government compensates investors (over 10 years) for supplying a new dwelling onto the rental market at 80% of the current market rate. Begun in 2008/9, it is the first large scale financial incentive in Australia aimed specifically at private investors supporting affordable housing. The scheme, modelled on the US Low Income Housing Tax Credit (LIHTC) approach, began with a target of 11,000 allocations (2008-2010), and then followed with a further 39,000 allocations (2010-2012). There was a provision for the scheme to be extended by a further 50,000 incentives if the scheme proves successful. Under the scheme, a refundable tax offset (initially valued at \$6,000 in 2008) per dwelling was offered by the Government, indexed to the rental component of the Consumer Price Index each year for ten years. The scheme was open to private investors or registered not-for-profit organisations (who receive a grant equivalent to the tax offset). The scheme also included a contribution (minimum of \$2,000 in 2008) from the state or territory governments. In total, \$2.7 billion of incentives (2008 dollars) were available over the ten year period (Milligan et al, 2009:59). In the first round of applications (69 applicants, involving 243 projects and 13,000 incentives), 56% were from not-for-profit organisations and 44% were private developers. Of the four successful bidders from Victoria in the first round, all were not-for-profit bids, accounting for 596 incentives (dwellings)

(Milligan et al, 2009:60). As of 2013, around 11,000 new dwellings have been constructed with NRAS incentives attached, with the initial figure of 50,000 expected to be reached by 2015 (propertyobserver, 2013).

Other options not currently used in Victoria but common elsewhere include:

5. Inclusionary zoning. Inclusionary zoning is a widely used planning policy tool used internationally in cities such as London, Vancouver and San Francisco, and to a more limited degree in Australia in Sydney, Adelaide and Brisbane. In general, it designates that within the 'zone', a development site above a certain size must include a set percentage of apartments priced as affordable. Each separate jurisdiction will have its own definition of what affordable entails including whether the apartments are for sale, or to be operated by a not-for-profit organisation as affordable rental accommodation. The percentage set aside, and trigger point for development size are also locally determined. A figure of 10 to 15% of affordable dwellings is typical in Australia, while some areas of London have zoning requiring up to 30% of all dwellings to be classified as affordable (Gurran et al, 2008:32, City of London, 2011:133, Davidson et al, 2012:28). Several local Melbourne councils have attempted to introduce the concept in recent years, but without the backing of supporting legislation at the state level in Victoria, these attempts have been overturned on appeal to the Victorian Civil and Administrative Tribunal (VCAT 2012).
6. Density bonusing. One of the common objections to inclusionary zoning from the development community centres on the perceived loss of revenue (and the consequent impact on land values) imposed by the requirement to produce a percentage of dwellings to be sold at less than full market price. Density bonusing, where increased numbers of dwellings are allowed on a particular site over that normally permitted, is often used as compensation for the provision of affordable units under an inclusionary zoning scheme. The possibility of higher density is only effective though if the subsequent land value increase is captured by the developer and not the land owner (if they are different entities), as it is the developer that shoulders the imposition of lower revenue intake under inclusionary zoning (Rowley and Phibbs, 2012:48). A further complication with allowing density bonuses to occur concerns the idea of appropriate density for a particular area. If the planning guidelines are set correctly, then any density bonus will lead to a situation of inappropriately high density, whereas if the planning heights are set low, such that if a bonus occurred the densities would still be appropriate, then the original scheme undervalues the area, to the detriment of the wider community.
7. Mandating affordable housing targets within municipalities. The state government could implement a metropolitan wide strategy to increase the supply of affordable housing options by conducting a review of current supply, and then setting targets for each municipality such that there is a level balance in the distribution of affordable housing options across the city. This then would allow each municipality to strategically use instruments such as inclusionary zoning and density bonusing to achieve those targets. This is the approach being pursued by the *London Plan* (Mayor of London, 2013).

As well as planning policy, taxation policy affects development on both the supply and demand sides. On the supply side, direct taxes and charges are levied on developers. In Victoria, the

payments are collected under a Development Contributions Plan, part of the planning permit requirements, or by voluntary agreement. They are generally implemented through an overlay zone on an area, and so may be targeted to specific areas likely to be attractive to potential developers. There is a distinction between 'development infrastructure' (local roads, parks, child care centres, public transport infrastructure) and 'community infrastructure' (all other communal facilities). Community infrastructure charges are capped at \$450 per dwelling (in 2009), while there is no maximum limit to development infrastructure charges. Developers are also levied for public open space under Victoria Subdivision Act (1988) (Gurran et al, 2009:54).

Demand side (consumer targeted) taxation responses from government are designed to stimulate demand for (and capacity to pay for) specific types of dwellings or to increase demand within a specific sub-group of potential housing consumers. Schemes may involve direct payment to consumers when purchasing a dwelling, such as recent (but now withdrawn) First Home Owners Grant mechanisms, put in place by both commonwealth and state governments. These schemes, as the name suggests, offered grants for people buying their first property (provided it was their principal place of residence for at least a year). Schemes may also involve a discount rather than a payout, as is currently the case in Victoria with Stamp Duty reductions available for first home buyers (State Revenue Office 2013).

Some demand side programs are more broadly targeted, one of the largest being direct rental assistance to low income earners via the Commonwealth Rental Assistance (CRA) program, currently costing around \$3 billion a year (Archer, 2012:38). Another large program that has an indirect (but substantial) impact on housing affordability is negative gearing tax concessions which are applicable to any investment, and so have come to influence housing despite not initially being a 'housing measure' put in place by government. Negative gearing is just one of a range of taxation measures that have had a profound impact on the shape of Australia's housing market, particularly with regard to the role of housing investors. A recent Grattan Institute report noted that government expenditure (including direct payments and tax concessions) for owner occupiers equalled \$36 billion annually, with support for investors costing a further \$6.8 billion (from negative gearing and the capital gains tax discount). Together this accounted for 90% of government expenditure on housing (Kelly et al 2013:22). Australian Tax Office calculations suggest that the cost of negative gearing could be even higher than that cited by the Grattan report (which used the Australian government's Survey of Income and Housing), putting the cost of negative gearing closer to \$13 billion a year (ATO, 2013).

The prominent role of investors in the Australian housing market can be seen in the high share of household finance going to investors, and in the relatively high proportion of households in Australia owning rental properties. Between 1996 and 2001, the first half of a decade long international housing price boom, the value of investor housing loans outstanding grew at an annual rate of 22%, and the pace accelerated in 2002-3 to around 33%. Investor loans in 2003 accounted for around one third of banks' outstanding loans, up from 15% in the 1990s. Investors account for an even larger share of new loans approved. From mid-2002, around 40 cents of every dollar of new housing loans approved by financial institutions was for investment properties. In the UK, gross lending for the 'buy-to-let' market rose to a peak of around 6½% of gross mortgage lending over the first half of 2003. In Australia, surveys suggest that the share of households with an investment property rose from around 8% in the early 1990s to 12% in 2001 (RBA, 2003:20).

Borrowing for investment in property has long been popular in Australia. The combined factors of high inflation and taxation benefits during the 1970s and 1980s made residential property investments very attractive. High inflation ensured continuing rising prices and contributed to strong capital gains on housing. Combined with the tax deductibility of interest payments and the ability to gear negatively against other income, residential investment properties provided efficient tax-reduction vehicles, even after capital gains tax was introduced in 1985. The form of the negative gearing regulations provides a strong incentive to maximize the debt component *vis-à-vis* the equity component in an investment property, and acts as an encouragement to investors to access 'interest-only' loans rather than the more conventional forms that immediately involved repayment of part of the principal debt and that are most common in the owner-occupier market. Although inflation was quite low by historical standards since the early 1990s, substantial capital gains on housing assets have been widespread (RBA, 2002:3).

Since the mid-1990s, the terms under which investors can access finance in Australia have been considerably more generous than those that apply in other countries, where investor loans are often treated more like business loans than owner-occupier loans. As the RBA has noted,

'In the US, individual investors in rental property are generally charged interest rates 25 to 100 basis points above those charged to owner-occupiers. Similarly, in Canada, while posted interest rates tend to be similar for owner-occupier and investment loans, banks negotiate larger discounts for owner-occupiers than for investors. In the UK too, loans to investors usually attract a higher interest rate than that charged on owner-occupier loans, although the differences have tended to narrow over time' (RBA, 2003:42).

In addition to this, investor demand is also boosted in Australia by the availability of mortgage products that allow investors to draw down on existing equity on their primary residences and innovations such as the 'deposit bond' (that does not exist in the US), which allow investors to acquire an investment property with very little initial cash outflow. Examples have been given in investment seminars, demonstrating how an investment property worth \$400,000 can cost (after tax manipulation), only \$50 per week in outgoings (RBA, 2003:43).

As well as the development of investor-favouring mortgage products, several other tax-based factors encourage investment in property in Australia when compared to other countries. Australia has a relatively low top marginal rate tax threshold by OECD standards. It is estimated that around 20% of full-time wage earners were in this bracket. Since the ability to negative gear investment properties has greater advantages the higher up the tax scale an investor is positioned, there is a large pool of potential beneficiaries that can access this form of tax minimization. There are no restrictions on the use of negative gearing in Australia, unlike the UK, Canada or the Netherlands. Negative gearing is not allowed at all in the UK (except for 'furnished holiday home accommodation'), while in the US it is only accessible to taxpayers who earn less than US\$100,000 and even then restrictions apply and losses in any one year cannot exceed US\$25,000. In Canada, negative gearing is allowed but cannot include losses due to depreciation and is permitted for only a few years. In Australia, any tax payer can access negative gearing, with no cap on legitimate losses and for an unlimited number of years. As detailed by the RBA in 2003, 'under plausible assumptions an investor purchasing a \$400,000

property recently might have tax losses of \$25,000 per year on the investment. Moreover, those losses can extend for many years into the future' (RBA, 2003:44).

On the question of depreciation, the Australian tax system is also more generous than most, meaning that for many investors in new apartments, depreciation alone can make a significant difference in the cash-flow attractiveness of the investment (RBA, 2003:45). Again, there are no provisions for depreciation in the UK or the Netherlands. In countries that do permit deductions for depreciation, such as Canada, the deductions reduce the cost base for calculating capital gains tax, therefore increasing the liability upon sale. Since capital gains tax is roughly half the level of income tax in both Canada and Australia, there are significant investor gains to be made. In Canada, however, the investor is charged the full income tax level on that part of the capital gain due to depreciation, whereas in Australia, the lower capital gains tax is applied to the entire capital gain (RBA, 2003a:45). So in comparison to other countries, the combination of financial products available and the structure of the tax system around investment properties, it is possible for Australian investors who are highly geared with low yielding properties to have much lower relative carrying costs and cash deficits. Given these advantages over owner-occupier purchasers, whose primary tax benefit is the exemption of the family home from capital gains tax, it is little surprise that investor activity in the housing market was dominant between 2000 and 2006, tailed off during the GFC relative to owner occupiers and is currently rebounding again.

By influencing demand, the tax measures above in turn influence the type and location of new housing. This leads into a consideration of the role of design, across a variety of scales, on the issue of housing diversity because project feasibility (the stacking up of the numbers from a financial and regulatory perspective) necessarily effects the form, performance and appropriateness of the dwellings produced.

3. Design of multi-dwelling housing developments

Poor or inappropriate design is a barrier to housing diversity if it discourages households from accessing the housing they want, while good quality design has been shown to lessen stress, encourage sociability and enhance healthy living practices, particularly for residents that spent long periods of the day at home such as young children, the elderly, and people with disabilities (Cooper Marcus and Sarkissian, 1986). In terms of equity, design costs are in effect social costs, borne by all (CABE 2012:21). Recent analysis by the City of Melbourne of 3,500 apartments across the municipality, in buildings ranging from 3 to 41 stories, found that only 16% scored as 'good' against a set of 14 design criteria, with 45% 'average', and 33% 'poor' (a result slightly worse than CABE's 2004 survey of 100 housing schemes in London and SE England: 17% good, 61% average, and 22% poor, CABE 2004:3). Of the 11 high rise case studies analysed in the sample, 100% scored poor or average (City of Melbourne, 2013:23).

Table 6 gives a summary of common design issues observed.

	Issue
1	Small apartment size
2	Lack of apartment choice
3	Dominance of car parking
4	Poor internal amenity
5	Poor building layout
6	Poor apartment layout
7	Limited flexibility and adaptability
8	Poor environmental performance
9	Limited communal spaces and facilities
10	Lack of storage and utility spaces

Table 6: Common design issues (CoM 2013)

Gresham's Law, or why is design in inner city dwellings often prone to mediocrity?

Design decisions are affected by cost and financing pressures, and the regulatory environment, as described above in sections 1 and 2 above. Although the particular affects are multi-faceted, the primary drivers of poor design are due to two factors: the size of the apartments, and the concentration on selling to the housing investor market. In turn, the reason why these factors enable poor design to be tolerated in the industry lies in the tendency of housing consumers to preference differences in price over differences in quality. Put another way, people are much better at discriminating (or judging) between price than quality when it comes to housing, particularly housing they are not themselves going to be living in.

As a market based product for sale, housing is a commodity. The value that a commodity possesses is often more than its ability to perform the role or function for which it was intended. Commodities have many tangible and intangible qualities that are not permanent or intrinsic to their composition, but are a consequence of their method of production. As such, particular qualities of a commodity or good can be enhanced or diminished by changes in the production process. For goods like inner-city apartments, that are similar (and perform similar functions) but are not identical, different decisions made during their production ensure that the goods have a range of prices and a range of qualities, so that they occupy an envelope or 'correlated space of price and quality'. In the long term, it is generally the case that as quality increases so does price (as a particular class of commodities becomes more complex and organised); but in the short term this is not necessarily so, as individual producers seek to position their goods within the price-quality envelope to maximise the difference between production costs and sale price. As noted above, for consumers, a price difference is often easier to appreciate than a difference in quality, particularly if the consumer does not have much experience or knowledge about the good in question (Benedikt, 2005:62-63).

Gresham's Law is an example of the relationship between price and quality. Most commonly stated as 'bad money drives out good money', Gresham's Law reflects the tendency of people to exchange a poorer quality good rather than one of better quality if the exchange price is the same. When articulated by Sir Thomas Gresham in the 1600s, the law referred to the circumstance in which coins with different precious metal content but the same face value were in circulation in England. It was noted that coins with greater gold or silver content were less likely to be used for exchange and more likely to disappear from circulation (either taken abroad where their value was not tied to face

value or hoarded and melted down). Notwithstanding the specific historical circumstance described above, for Gresham's Law to apply to money, three conditions needed to be met: '1) the cost of production and use of one currency be lower than the other; 2) sellers be indifferent as to which is tendered in payment for goods; and 3) the issuing authority be indifferent as to which is tendered in repayment of debts and the payment of taxes' (Benedikt, 2005:66). The critical feature is that the alternatives are indistinguishable in exchange but not in production.

The principle behind Gresham's Law extends into the building industry as dwellings under market conditions become a form of tradable asset. As stated above, as a commodity dwellings have tangible and intangible qualities that contribute to their ability to function as a dwelling. Not all of these qualities are valued the same (or even at all), and so if the provision of a particular under-valued quality requires time, effort or capital, the rational producer has two options. One strategy is for the producer to invest in educating the potential buyers of the value of the quality in question, in an effort to raise the level of willingness to pay for its inclusion in the commodity. The second strategy relies on eliminating the under-valued quality as much as possible from the production process and lowering the price of the commodity to appeal to a larger pool of potential (but less discerning) buyers. While the profit margin of the two approaches may be the same (as profit is simply the difference between cost of production and sale price), the risk to the producer is not. The safer strategy is the second one, as it opens up a potentially larger buyer pool and does not rely on the end consumer becoming more knowledgeable about the product. In general, 'under downward price pressure, the ostensibly superfluous qualities of a given kind of product are stripped away until only those that are selling points remain' (Benedikt, 2005: 70). In terms of housing products, the tendency is that readily measureable features of a dwelling (the number of bedrooms, bathrooms and car parking spaces, the total floor area, the brand of appliances in the kitchen), become more important than more subjective features such as the way in which the spaces of a dwelling perform in terms of comfort, access to fresh air and natural light, spatial harmony, or appropriateness for children.

Benedikt (2005) contends that the replacement of any product, including buildings, is inevitable when cheaper versions of that product can maintain the features recognized in the market as characteristic of its description whilst eliminating those that are not as valued. The danger of this process occurring in high-density inner-city apartments is clear. The provision of internal bedrooms, the compression or eliminating of storage space, the reduction of habitable space for socialising, the designing of kitchens with no bench space, the placement of west facing windows with no sun shading devices, are all examples of the substitution of a functioning and well thought out dwelling design with a simulacrum of it – or a construct that contains the elements of what might be 'expected' to be found in a dwelling, but nothing more. The end result, to echo Gresham, is a de-based commodity. Melbourne's current policy guidelines on housing quality are not as rigorous as the policy equivalents in Adelaide, Sydney, Brisbane, Singapore, London, New York and Vancouver (City of Melbourne, 2013). In this situation, the impoverished version of inner-city housing risks becoming the norm, and one that can negatively condition the fabric of the city.

The effect of design at different scales: the apartment, the building and the neighbourhood

Apartment scale

It is perhaps at the scale of individual apartments that the effects of poor design are most obvious. Dwelling design, including apartment design, is often reflective of prevailing societal and cultural norms, particularly regarding the roles of women and children. Studies of the history of kitchens in western residential architecture are de facto studies of the assumed 'normal' role of women and family life in the home: first hidden, then enclosed, then open plan and reflective of style and consumption patterns (Bech-Danielsen, 2012). Contemporary inner-city apartment layouts (and advertising) for inner Melbourne dwellings often project aspirational lifestyle choices that largely ignore household types that include children, and hence largely do not reflect the needs and conditions for a cohesive family life (Fincher, 2007).

The size of an apartment has design consequences because not all activities performed within a dwelling are able to be spatially co-located. For activities that occur in kitchens and bathrooms in particular, spatial adjacency has safety, hygiene, and privacy implications. The absolute size of apartments being constructed in inner Melbourne has become smaller, with 27% of all dwellings having less than 50m² of floor space, the recommended minimum size of a one-bedroom apartment in Sydney, Adelaide, and London. Since 2006, 40% of all new dwellings have had less than 50m², and 82% have had less than 100m² of floor area (City of Melbourne, 2013:20). From 2008-2010, the average size of a one bedroom apartment reduced from 52 to 44 m², while two bedroom apartments reduced from 77 to 67 m², reflecting cost pressures and the fact that there are no minimum room or apartment sizes in the Victorian planning regulations, unlike Sydney, Adelaide, London, Singapore and New York and Vancouver (Oliver Hume 2010, City of Melbourne, 2013:32). Studies on student housing in inner Melbourne (Martel 2012), showed that once average dwelling size of an apartment fell below 23m², the apartments scored consistently poorly across a range of qualitative amenity criteria including appropriate sleeping spaces, socialising spaces, hygiene control, and satisfactory cooking and eating spaces.

Similarly to absolute apartment size, apartment proportion has a significant effect on internal amenity. Long but skinny apartment proportions lead to designs with deep non-naturally ventilated and lit spaces, typically allocated to bathrooms and kitchens, internal bedrooms, and a greater proportion of the apartments given over to circulation (corridor) space. Apartments that are not particularly wide exacerbate the difficulty in utilising external walls for light and air egress, since typically a high rise apartment will only have one external wall. An apartment 4 metres wide and 12 meters deep will have less than 15% of its envelope available to access natural light and air.

Good design principles are well understood, and guidelines such as NSW's State Environmental Planning Policy No65: Design Quality of Residential Flat Development (SEPP 65), the Brisbane City Plan's Residential Design – High Density Code, Vancouver's Guidelines for High-density Housing for Families with Children, the London Housing Design Guide, and the UK Design Council's Building for Life 12, are readily available, so the proliferation of apartment designs that appear to contain the necessary elements required of a dwelling, but whose utility and functionality is severely constrained in Melbourne is a reaction to cost constraints and size pressures, non-restrictive regulation, and to the latitude granted in selling to investors not owner-occupiers.

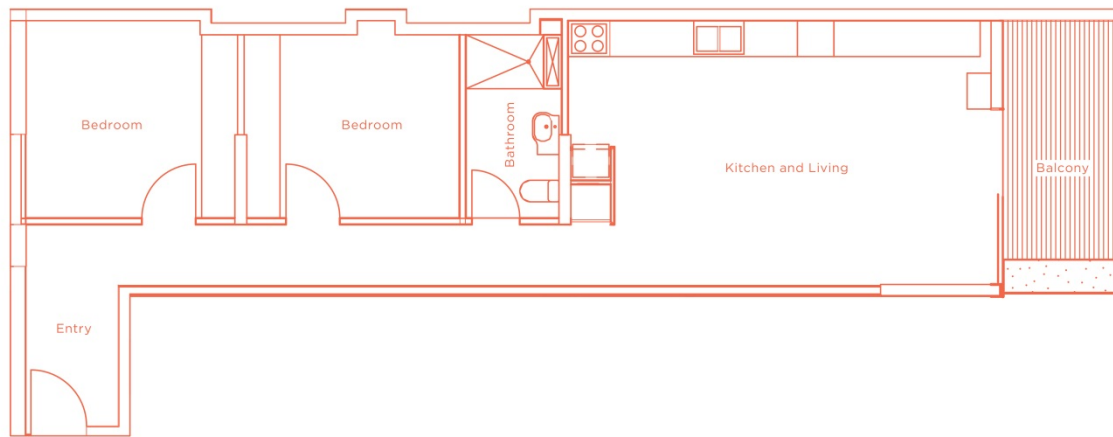


Figure 6: New apartment in central Melbourne: Note the long, thin proportions, extensive corridor space, internal bathroom, and cook-top situated in the corner of the kitchen. (www.7florence.st)

It should be noted though that design issues can occur even where comprehensive guidelines are in place. Recommendations concerning apartment design from the post occupancy evaluation of the False Creek North urban renewal project in Vancouver, for example, included creating more storage space, more balconies, designing window systems so that adequate ventilation could be achieved while still mediating sunlight and providing privacy, locating bathrooms and bedrooms so they are not directly accessed from living areas, and avoiding L-shaped units that wasted space with long corridors (Beasley et al, 2008:26).

Building scale

While important, the design of individual apartments is not the only barrier to them providing an appropriate home for children, and in fact may not even be the major one. The design of the apartment building or complex as a whole also has an effect on housing amenity. Much of daily life is spent outside and around a dwelling not just inside it, and to accommodate this in a medium- or high-density housing situation requires considerable design intent compared to that of a detached house with yard. At the heart of the issue is the facilitation and control of private interactions within the public realm of the building complex. All multi-dwelling buildings have 'public' areas that are more or less restricted to residents of the building or their guests. As will be discussed further in the next section on neighbourhoods, these spaces may be thought of as 'club' realms, lying somewhere between the fully private realm (inside the apartment), and the public realm on the street.

Best practice guides separate the issue into two aspects: what is provided, and where is it provided. For example, Vancouver's guidelines (City of Vancouver, 1992), recommend not only that a minimum of 20 'family friendly' apartment types are provided in any one development but also that they be aggregated closely together on the lower floors of the development. This in turn dictates where child friendly communal spaces within the development's boundaries are located. This strategy is not restricted to children of course and a number of guidelines, including NSW's *SEPP 65* and London's *High Density Guidelines*, dictate that a mix of apartment size and type be incorporated in a development. Another common set of design recommendations focus on communal corridors and vertical circulation (lifts and stairs), concerning lighting and ventilation and their utility in

promoting casual encounters and community building within a development. Design in these spaces is constrained by the fact that communal corridors are not 'sellable' to the owners of the apartments, and so any extra expense is picked up by the developer, although they are the responsibility of the owner's corporation once the building is complete. Other, active communal facilities that are included within the building are also ultimately the responsibility of the building's owner's corporation which has responsibility for the governance, maintenance, and repair of the spaces. So the careful design and positioning of them has an ongoing practical, social, and financial impact on residents.

Neighbourhood scale

Design decisions that interact on the neighbourhood scale are perhaps the ones most familiar, as it is these decisions that can most readily be contested by councils or third party objectors, and which in Victoria are often settled by tribunal (VCAT). Internal characteristics of apartment buildings usually do not fall under planning schemes but rather building codes which are less susceptible to challenge on case by case basis.

On one level, design on the neighbourhood (or aggregated buildings) scale is often associated with notions of 'neighbourhood character' (a notion difficult to quantify but nonetheless frequently cited), and the effects of increased density. Where a mix of private and social or public housing is being produced, the neighbourhood design issue faced by developers involves whether to distinguish the private dwellings from the social housing ones or integrate them into a cohesive whole. This is generally an issue of 'marketing' and the perception of 'protecting' the market value of the private dwellings (Tiesdell, 2004). However, wherever a significant new housing development increases the number of residents in a particular area, there arises the question of the consumption and production of public goods.

The notion of action at a neighbourhood scale stems from the idea that particular land uses create external effects, positive or negative externalities, on the rest of the city. Related to this is the idea that the city contains a mix of private and public domains, and that people have the right to consume public 'goods', such as parks or access to sunlight, and that the private domain should not infringe on those rights. Purely private goods (or rather, the attributes of the goods) are consumed competitively, that is, they are consumed by one individual to the exclusion of all others, whereas, purely public goods are jointly consumed by all. However, public goods are rarely fully public, as distance, time and other factors such as similar facilities in other areas mean that the goods are accessible to only a proportion of the city's population. These are sometimes termed as local public goods, or club goods. As a distance attenuated good, they have a use value only for those who live close to them. Almost all public amenities are effectively examples of club goods (Webster, 2002). Central Melbourne however, has many unique (to Melbourne) public goods, including major cultural, sporting, and educational public facilities and so care needs to be taken that the 'club' is not too exclusive and that the lack of affordable or family friendly housing options in the central city area does not exclude large sections of Melbourne's population. In this case, a neighbourhood or municipal wide plan for affordable housing is effectively a strategy to encourage household diversity and ensure an equitable distribution of rights to Melbourne's major pieces of social infrastructure. On the other hand, by building a housing development in an amenity rich area such as inner Melbourne, all of the residents of that development have access (are club members as described

above) to those amenities. If key amenities for specific household types are missing from an area, such as childcare centres, schools, and playgrounds, then the residents are effectively denied access to goods freely (or nearly freely) provided to other residents in the city.

However, the provision of public (or club) goods implies a reciprocal response from private housing developments. In addition to the consumption of existing public goods in a neighbourhood, a housing development would ideally also contribute to the formation of new public goods in its vicinity. Good design, particularly at the street level of a development, can encourage the safe use of streets, facilitate meetings and interactions, and contribute to a sense of community. While often hard to quantify, several guidelines exist that emphasize the creation of 'streets' and neighbourhoods through engagement with building design, such as the Vancouver Mayor's 'Engaged City Taskforce Report' (2013), Vancouver Foundation's 'Connections and Engagement' (2011), London's 'Create Streets' (2103), and Chicago's Project for Public Spaces 'A Guide to Neighbourhood Placemaking' (2008).

Part 4: Case studies

Given the structures and barriers discussed in the previous two sections, what kinds of good practices might there be that can inform improved policies and practices in Melbourne? In this part of the review a number of local, national and international case study examples will be highlighted, each of which is intended to illustrate an approach to overcoming particular barriers to the provision of affordable and/or family friendly housing. Key actors involved will be interviewed to understand how each of the case studies came to fruition, and to investigate the viability of similar processes being replicated in Melbourne. The case studies are divided into three sections:

1. Melbourne based building projects
2. National and international urban renewal programs, and
3. An International example financing of affordable housing developments

1. Three Melbourne housing developments

The Mariner

Project Summary:



Developer: MAB

Builder: MAB

Architect: Plus Architects

Housing Association: Housing Choices Australia

Others: Places Victoria, Department of Human Services, National Australia Bank

Cost: \$38.9 Million (includes \$22 million in 'Nation Building' money)

Completion date: 2011

Location: NewQuay, Docklands

Number of apartments: 113

Number of 'affordable' apartments: 85 (7 disability compatible units)

Client group: Key workers and workers on low fixed incomes

Family Friendly characteristics:

Apartment type: 1 and 2 bedroom units, 40 to 60 m2 in size

Why is it relevant?

Partnership initiated by private developer with social housing association and government

Mixed development, situated in Docklands

Key Personnel:

Nick Barrett (MAB)

Ian Briggs and Rainer Strunz (Plus Architects)

Housing Choices Australia

The Nicholson

Project Summary:



Developer: Places Victoria

Builder: Hickory, Unitary Building (UB)

Architect: DesignInc

Housing Association: Urban Communities (also acts as owner's corporation for non-social housing tenants), Homeground

Others: DHS, DPCD

Cost: \$80 million

Completion date: 2011

Location: East Coburg, Moreland (approx. 7 kms from CBD)

Number of apartments: 199 (plus 1900 m2 of commercial space)

Number of 'affordable' apartments: 31 affordable (NRAS owned by PV), 18 Social housing apartments and 40 affordable (owned by Homeground)

Family Friendly characteristics:

Apartment type: Studio, 1 and 2 bedroom apartments

Why is it relevant?

Public/private partnership initiated by state government

Mix of housing types (private, social and affordable) with mix of funding sources NBSHI, NRAS,

Prefabricated building process

Key Personnel:

Dom Arcaro (Places Victoria, now CBRE), Ryan McDade (Places Victoria, now Australand)

Michael Argyrou (Hickory UB), George Housakes (Urban Communities Limited)

The Boyd

Project Summary:



Developer: The City of Melbourne, and The Mackie Group

Builder: Mackie Pty Ltd

Architect: MSM and Associates (part of the Mackie Group)

Housing Association: Haven, Home, Safe

Others: Multiple Sclerosis Limited Australia, Scope, Fulcrum Planning

Cost: \$8.5 million (cost of land sold by CoM to Mackie)

Completion date: expected 2015

Location: South Melbourne

Number of apartments: 200 to 220

Number of 'affordable' apartments: up to 40 (with some disability units), potentially some student accommodation for Ballet Australia

Family Friendly characteristics: Developed in conjunction with community facilities including community centre and library

Apartment type:

Why is it relevant?

Local council instigated integrated project in conjunction with community groups, arts organisations, and the private sector to provide community infrastructure, affordable housing and market rate housing in the inner city.

Key Personnel:

Ralph Mackie (Mackie Group)

Dr Bronwyn Morkham (Mackie Group)

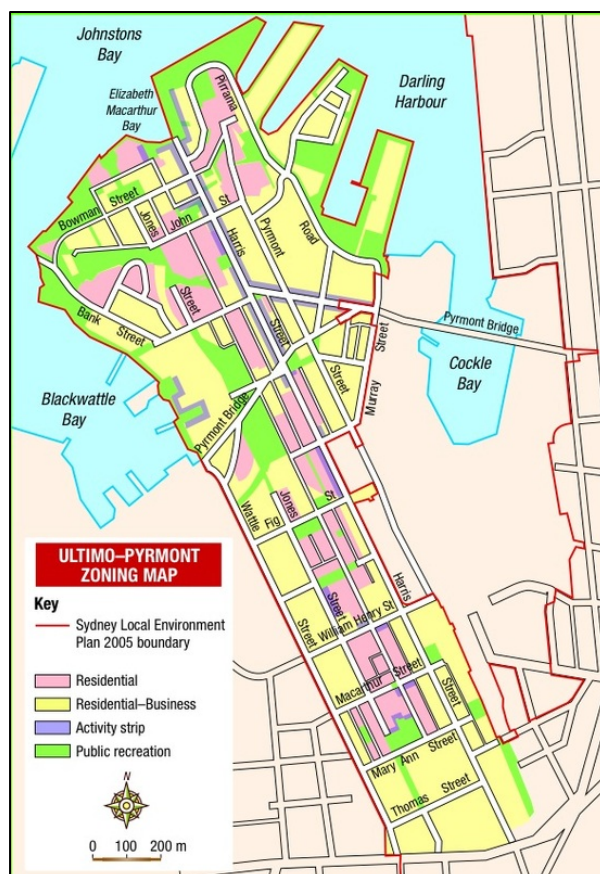
Michele Cobelens (MSM and Associates)

City of Melbourne

2. National and International urban renewal neighbourhoods

Ultimo-Pyrmont, Sydney, NSW

Project Summary:



Year: 1992-

Location: Inner Sydney Waterfront

Developer: Sydney Harbour Foreshore Authority (formally City West Development Corp)

Social Housing provider: City West Housing Pty Ltd

Funding: Commonwealth Government 'Better Cities Program' approx. \$240 million (1991)

Size: Approx. 100 hectares

Population (2011 residential): 18,731 (*in 1994 3,000*)

No. Families w/ children: 4,013 (average of 1.4 children per family), 34% of households

No. private dwellings: 9,729

Dwelling types (%): Detached house 0.5, semi-detached row or terrace 8.5, flat unit or apartment 91

No. bedrooms (%): 0-3, 1-30, 2-47, 3-17, 4+-2

Tenure (%): Owner-occupier (with or without mortgage) 35, rental 63

No affordable/social housing: 547 dwellings (+ approx. 200 planned for 2014-15)

Why is it relevant?

Example of an ongoing, large scale urban renewal program backed by legislated affordable and family friendly housing regulations and targets, and robust apartment design guidelines (SEPP65).

Key Personnel/organisation: City West Housing, Sydney Harbour Foreshore Authority

False Creek North, Vancouver, Canada

Project Summary:



Year: 1990-

Location: Downtown Vancouver Waterfront

Developer: Concord Pacific

Social Housing provider: multiple providers

Funding:

Size: Approx. 67 hectares

Open space: 1 hectare per 1,000 residents or 25% of site

Population (2006 residential): 10,570

Density (2006): 390 dwellings per hectare

No. households (2006): 4,500

No. Family w/ children households: approx. 2,160 (48%)

No. private dwellings:

Dwelling types (%): Detached house 2, flat unit or apartment 98

No. bedrooms per dwelling: average 1.6 per dwelling

Tenure (%): Owner-occupier (with or without mortgage) 48, rental 52

No. affordable/social housing: studio 89, 1 bed 196, 2 bed 265, 3 bed 128, 4 bed 33: total 771 (361 in 2006, projected to reach 1,380)

No. Families w/ children in social housing: 426 households

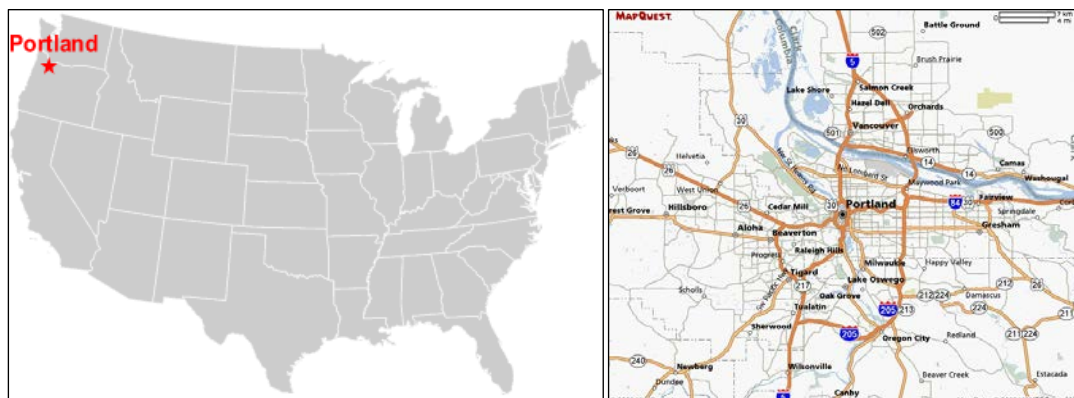
Why is it relevant?

High density inner city urban renewal developed by a private commercial development company, with strong regulatory commitment to the inclusion of affordable and family friendly housing options.

Key personnel/organisations: Brent Toderian (ex-Vancouver City Council), Concord Pacific, Hynes Developments, BC Housing and the Housing Endowment Fund, School of Community and Regional Planning UBC

Portland, Oregon, USA

Project summary:



Adopted in 2012, the Portland Plan “presents a strategic roadmap to help our city thrive into the future. The result of more than two years of research, dozens of workshops and fairs, hundreds of meetings with community groups, and 20,000 comments from residents, businesses and non-profits, the plan’s three integrated strategies and framework for advancing equity were designed to help realize the vision of a prosperous, educated, healthy and equitable Portland” (Portlandonline.com, 2013). The integrated strategies include:

- Thriving Educated Youth
- Economic Prosperity and Affordability
- Healthy Connected City

The Plan outlines the implementation process, measures of success and a timetable for progress reports, this includes an explicit five year action plan associated with each strategy and initial progress reports after three and five years.

As part of Portland's Healthy Connected City strategy, the plan outlines objectives for a '20 minute neighbourhood concept', allowing a comparison between the policy objectives and strategies employed, with those proposed in Principle 7: Living locally – a 20-minute city, in the discussion paper 'Melbourne, Let's talk about the Future' (Victorian Government, 2012:64-71). The Plan's Economic Prosperity and Affordability strategy incorporates aspects of housing affordability, housing choice and diversity, and sustaining diverse communities. In addition, since 2007, Portland has had guidelines for the design of family friendly medium density housing (City of Portland, 2007).

Why is it relevant?

The approach of the City of Portland to the issue of community sustainability and renewal stresses the concept of 'complete communities' that places housing affordability and diversity with proximity to jobs and services at the centre of a wider strategy for improving the productivity of the city.

Key Personnel/organisations: Bureau of Planning and Sustainability, City of Portland, Portland Housing Bureau, Portland Development Commission, Portland City Commissioner, Walsh Constructions

3. Financing of affordable housing developments

Bridge Housing, San Francisco, USA

Company Summary:



Founded: 1983 (via an anonymous grant to the San Francisco Foundation)

Size: Approx. 400 employees

Skill sets: Real Estate, Project Development, Finance, Marketing and Management

No. of Properties developed: approx. 82 developments, 14,000 dwellings, worth approx. \$ 3 billion
Tenure types: mainly rental but some developed for home ownership

Why is it relevant?

Large scale not-for-profit housing developer combining development skills and know-how with long term tenant management. Of particular interest is the funding streams that are available for development activity, but also the knowledge base accumulated over operating so many properties. Portfolio balance

Key Personnel/organisations: Bridge Housing, San Francisco Foundation, San Francisco Mayor's Office of Housing, Federal Home Loan Bank of San Francisco, The John Stewart Co

References

Archer, T., *Fixing rental assistance*, Insight 6, VCOSS, Melbourne

Australian Tax Office, 2013, *Taxation Statistics 2010-11*, Canberra

Ball, M., 2003, *Markets and the structure of the house building industry: An international perspective*, *Urban Studies*, 40(5-6), pp. 897-916

Ball, M., 1983, *Housing policy and economic power: The political economy of owner occupation*, London, Methuen

Beasley, L., Wenman, C., Hofer, N., Lancaster, J., Sarkissian, W., 2008, *Living in False Creek North: From the residents perspective*, False Creek North Post Occupancy Evaluation, School of Community and Regional Planning, University of British Columbia

Bech-Danielsen, C., 2012, *The Kitchen: An architectural mirror of everyday life and social development*, *J. of Civil Engineering and Architecture*, 6:4, pp. 457-469

Beer, A., Kearens, B. and Pieters, H., 2007, *Housing affordability and planning in Australia: The challenge of policy under neo-liberalism*, *Housing Studies*, 22:1, 11-24

Benedikt, M., 2005, *Gresham's Law and the logic of efficacy*, in Take 5, Tombesi, P., Gardiner, B. and Mussen, T. (eds), RAIA Canberra

Berry, M., 2006, *Housing affordability and the economy: A review of macroeconomic impacts and policy issues*, National Research Venture 3, Housing affordability and lower income Australians. Research Paper No. 4, AHURI Melbourne

Birrell, R., Healy, E., Rapson, V., and Smith, F., 2012, *The end of affordable housing in Melbourne?* Centre for Population and urban research, Monash University, Melbourne

Black, J., 2012, *The financing and economics of affordable housing development*, Research Paper 224, Cities Centre, University of Toronto

Brisbane City Council, 2012, *Brisbane City Plan 2012: Multi dwelling code*, <http://www.brisbanecityplan2012.com.au/cityplan2012multipliedwelling.html>

Bryant, L., 2012, *An assessment of development funding for new housing post GFC in Queensland, Australia*, *International Journal of Housing Markets and Analysis*, 5(2), pp. 118-133

Burke, T. and Hulse, K., 2010, *The institutional structure of housing and the sub-prime crisis: An Australian case study*, *Housing Studies*, 25(6), pp. 821-838

Burke, T. and Hayward, D., 2001, *Melbourne's housing past, housing futures*, Institute for Social research, Swinburne University of Technology

CABE, 2012, *The Bishop Review: The future of design in the built environment*, Design Council, UK

CABE, 2012, *Designing for life 12*, Design Council, UK

CABE, 2004, *Housing audit: Assessing the design quality of new homes*, Building for Life, UK

Centre for International Economics, 2011, *Taxation of the housing sector*, Prepared for the Housing Industry Association

Charter Keck Cramer, 2012, *Making the numbers stack up: A study into major residential urban renewal in Melbourne*, Property Council of Australia, Melbourne

City of Melbourne, 2013, *Future Living: A discussion paper identifying issues and options for housing our community*, Melbourne

City of London, 2011, *Local Development Strategy: Core Strategy*, www.cityoflondon.gov.uk, accessed September 2013

City of Portland, 2012, *The Portland Plan*, www.Portlandonline.com, accessed July 2013

City of Portland, 2007, *Principles of child friendly housing*, Bureau of Planning, Portland OR

City of Melbourne, 2012, *Dwelling stock and diversity in the City of Melbourne*, Melbourne City Research, Melbourne

City of Vancouver, 1992, 'Guidelines for high-density housing for families with children', <http://former.vancouver.ca/commsvcs/guidelines/H004.pdf>, accessed May 2013

Coiacetto, E., 2006, *Real estate development industry structure: Consequences for urban planning and development*, Planning, Practice and Research, 21(4), pp. 423-441

Cooper Marcus, C. and Sarkissian, W., 1986, *Housing as if people mattered: Illustrated site planning guidelines for medium density family housing*, Berkeley, California

Costello, L., 2005, *From prisons to penthouses: The changing images of high-rise living in Melbourne*, Housing Studies, 20(1), pp. 49-62

Davison, G., Gurran, N., van den Nouwelant, R., Pinnegar, S., Randolph, B. and Bramley, G., 2012, *Affordable housing, urban renewal and planning: emerging practice in Queensland, South Australia and New South Wales*, Australian Housing and Urban Research Institute Final Report No. 195, UNSW-AHURI Research Centre

Department of Human Services, <http://www.housingregistrar.vic.gov.au/Registered-Housing-Sector/Housing-associations>, accessed April 2013

Department of Human Services, <http://www.dhs.vic.gov.au/about-the-department/plans,-programs-and-projects/projects-and-initiatives>, accessed April 2013

Department of Human Services, 2011, *Annual Report 2010-2011*, Victorian Government

Dowling, R., 2005, *Residential building in Australia, 1993-2003*, Urban Policy and Research, 23(4), pp. 447-464

Ellis, L., 2006, *Housing and housing finance: A view from Australia and beyond*, paper for 'Housing, savings, and the household balance sheet' workshop, Reserve Bank of New Zealand, Wellington

Fincher, R., Carter, P., Tombesi, P., Shaw, K. and Martel, A., 2009, *Transnational and Temporary: Students, community and place-making in central Melbourne*, University of Melbourne

Fincher, R., 2007, *Is high-rise housing innovative? Developers' contradictory narratives of high-rise housing in Melbourne*, *Urban Studies*, 44, pp. 631-649

Fincher, R., 2004, *Gender and lifecourse in the narratives of Melbourne's high-rise developers*, *Australian Geographical Studies*, 42(3), pp. 325-338

Gabriel, M., Jacobs, K., Arthurson, K., Burke, T. and Yates, J., 2005, *Conceptualising and measuring the affordability problem*, National Research Venture 3, Research Paper 1, Australian Housing and Urban Research Institute

Gurran, N. Ruming, K. and Randolph, B., 2009, *Counting the costs: planning requirements, infrastructure contributions, and residential development in Australia*, Australian Housing and Urban Research Institute Final Report No. 140, UNSW-UWS Research Centre

Gurran, N., Milligan, V., Baker, D., Bugg, L. and Christensen, S., 2008, *New directions in planning for affordable housing: Australian and international evidence and implications*, Final Report No. 120, Australian Housing and Urban Research Institute, Sydney Research Centre

Housing, Local Government and Planning Ministers, 2005, *Framework for national action on affordable housing*, Australia

Kelly, J-F., Hunter, J., Harrison, C. and Donegan, P., 2013, *Renovating housing policy*, Grattan Institute, Melbourne

Kelly, J-F., Mares, P., Harrison, C., O'Toole, M., Oberklaid, M., Hunter, J., 2012, *Productive Cities*, Grattan Institute

Kelly, J-F., Weidmann, B., and Walsh, M., 2011, *The housing we'd choose*, Grattan Institute, Melbourne

King, P., 2001, *Understanding housing finance*, Routledge, London

Lawson, J., Milligan, V. and Yates, J., 2012, *Housing supply bonds – a suitable instrument to channel investment towards affordable housing in Australia*, Final Report No. 188, Australian Housing and Urban Research Institute, UNSW-UWS and RMIT Research Centres

London Development Agency, 2010, *London housing design guide*, Interim edition, London UK

Major Cities Unit, 2011, *Our Cities, Our Future: a national urban policy for a productive, sustainable and liveable future*, Australian Government Department of Infrastructure and Transport, Canberra

Marks, G. and Sedgwick, S., 2008, *Is there a housing crisis? The incidence and persistence of housing stress, 2001-2006*, *The Australian Economic Review*, 41(2), pp. 215-21

Mayor of London, 2013, *The London Plan, spatial development plan for the City of London: Revised Early Minor Alterations*, Greater London Authority, www.london.gov.uk

Martel, A., 2012, *Eco-Oikos: An investigation of value in recent high-density student housing in Melbourne*, PhD Thesis, University of Melbourne

Milligan, V., Hulse, K. and Davidson, G., 2013, *Understanding leadership, strategy and organisational dynamics in the not-for-profit housing sector*, Final Report No. 204, Australian Housing and Urban Research Institute, UNSW-UWS, Swinburne-Monash, UWA

National Housing Supply Council, 2012, *Housing supply and affordability – key indicators*, Australian Government

Oliver Hume, 2010, *Apartments: The metropolitan Melbourne apartment market*, 1st edition, September Quarter, oliverhume.com.au

O'Neill, P., Sliogeris, E., Crabtree, L., Phipps, P. and Johnston, K., 2008, *Housing affordability literature review and affordable housing program audit*, Urban Research Centre, University of Western Sydney

Orsmond, D., Hsieh, W. and Norman, D., 2012, *Supply-side issues in the housing sector*, Reserve Bank of Australia, September Quarter Bulletin, Canberra

Places Victoria, 2012, *Project Afford: Leading the innovative delivery of more affordable infill housing for Victorian*, briefing paper, Melbourne

Department of Planning and Infrastructure, 2011, *SEPP 65 and Residential Flat design code review*, NSW Government, Sydney

Productivity Commission, 2004, *First home ownership*, Report No. 28, Commonwealth of Australia, Canberra

Project for Public Spaces, 2008, *A guide to neighbourhood placemaking in Chicago*, with the Chicago Metropolitan Planning Council, Chicago

Schlesinger, L., 2013, *Government to expand NRAS scheme with aim of 50,000 homes by 2015*, Propertyobserver.com.au, accessed June 2013

Reserve Bank of Australia, 2003, *Submission to the Productivity Commission Inquiry on First Home Ownership*; Occasional Paper 16, www.rba.gov.au/publications/submissions/

Reserve Bank of Australia, 2002, *Recent Developments in Housing: Prices, Finance and Investor Attitudes*; RBA Bulletin July 2002, www.rba.gov.au/publications/bulletin/

Rowley, S. and Phipps, P., 2012, *Delivering diverse and affordable housing on infill development sites*, Final Report 193, Australian Housing and Urban Research Institute, WA-UNSW

SGS Economics and Planning, 2013a, *Understanding the property and economic drivers of housing*, background paper for the City of Melbourne

SGS Economics and Planning, 2013b, *Understanding the social outcomes of housing*, background paper for the City of Melbourne

Smith, N. and Morton, A., 2013, *Create streets: Not just multi-storey estates*, Policy Exchange and Create Streets, London UK

State Revenue Office, 2013, *Duty Reductions for First Home Buyers*, www.sro.vic.gov.au, accessed September 2013

Tiesdell, S., 2004, *Integrating affordable housing within market-rate developments: the design dimension*, Environment and Planning B, 31, pp. 195-212

Tomlinson, R., 2012, *A housing lens on Australia's unintended cities*, in *Unintended Cities*, Tomlinson, R., (ed), CSIRO Publishing, Melbourne

Urban Coalition, 2013, *A new deal for Australia*, Urban Coalition, Canberra [Australian Sustainable Built Environment Council, Australian Conservation Foundation, Association of Building Sustainability Assessors, Consult Australia, Green Building Council of Australia, Institute of Architects, National Growth Areas Alliance, Planning Institute of Australia, Property Council of Australia and the Urban Development Institute of Australia].

Urbis, 2011, *National Dwelling Cost Study*, Prepared for the national Housing Supply Council

Vancouver Foundation, 2011, *Connections and engagement: A survey of metro Vancouver*, <http://vancouverfoundation.ca/initiatives/connections-and-engagement>

Vancouver Mayor's Engaged City Taskforce, 2013, *Quick starts*, City of Vancouver, Canada

Victorian Government, 2012, *Melbourne, let's talk about the future*, Metropolitan Planning Strategy discussion paper, Melbourne

Victorian Civil and Administrative Tribunal, 2012, *East Brunswick Village Pty Ltd v Moreland City Council [2012] VCAT 1307*, Melbourne

Webster, C., 2002, *Property rights and the public realm: gates, green belts, and gemeinschaft*, Environment and Planning B, 29, pp.397-412

Whitzman and Mizrachi, 2012, *Beyond wastelands and glasshouses: creating supportive high rise environments for children in Melbourne*, Urban Policy and Research, 30(3), pp. 233-249

Yates, J., Wulff, M. and Reynolds, M., 2004, *Changes in the supply of and need for low rent dwellings in the private rental market*, Final Report No. 61, Australian Housing and Urban Research Institute, Sydney Research Centre

Yates, J., 1987, *Housing affordability: An economic perspective*, in Judd, B. (ed.), *Housing Affordability: Housing Issues*, Report No. 3, Royal Australian Institute of Architects, Canberra