Providing affordable housing through urban renewal projects in Australia: 
Expert opinions on barriers and opportunities

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Abstract: This paper examined the impact of providing affordable rental housing through inner-city urban renewal projects in Australia. Providing affordable rental housing for lower-income households remains a challenge for planners, builders, policymakers and residents alike. Government intervention for inclusionary zoning in Australia has enhanced affordable housing supply but has also generated negative impacts such as NIMBY-ism, decreasing house price and urban sprawl. This study conducted in-depth interviews with housing and planning experts in affordable housing projects in Australia and evaluated the barriers and opportunities of providing affordable rental housing as standalone projects, or as part of urban renewal projects. This study found several existing challenges such as limited longevity of related policies and limited financing sources for renewal projects. The findings inform policymakers that the existing housing affordability issue can be tackled by adopting more innovative approaches such as negative gearing.

1. INTRODUCTION

Australian cities are known for being amongst the world’s most liveable cities in terms of stability, culture and environment, education and infrastructure, and health care.1 However, housing affordability in major cities has significantly decreased over the past decade, mainly due to the growth in population and increasing housing prices (Yates, 2016; Thomas & Hall, 2016). High house prices in the infill development, together with a decline in public housing units, further exacerbate housing affordability in cities (van den Nouwelant et al., 2015). Consequently, the notion of the ‘Great Australian Dream’ of families owning a detached house with a backyard for their children play in, has become unachievable for many Australians as exasperated by the housing affordability crisis.

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In particular, high housing costs in Sydney and Melbourne are a burden for low and very low-income households. More than 40% of Australian low-income households renting their homes now face housing stress, defined as spending more than 30% of their income on housing costs (Michael, 2020). In Sydney, over 271,000 low-income households are in rental stress, and a further 130,000 households in New South Wales (NSW) struggle to find a place to live (Sitou & Quinn, 2019). As a result, many low-income households are struggling to access adequate accommodation and are even forced to live in informal and illegal housing (Gurran et al., 2019). To ensure inclusion of affordable rental housing in urban renewal (or urban regeneration) areas with sufficient housing provision for low-income households, four main planning intervention to urban renewal projects have been applied in Australia (Pawson, Milligan, & Yates, 2020; Gurran, Rowley, et al., 2018): (1) planning concessions (e.g. relaxation of planning regulation for low-cost housing) (2) density bonus (e.g. additional building height or floor space ratio for an affordable housing contribution), (3) negotiated agreements (e.g. voluntary planning agreements), and (4) inclusionary zoning (e.g. a mandatory zone for affordable housing).

Nonetheless, the impact of these planning mechanisms is yet to be systematically evaluated. There is also a paucity of studies which have investigated the underlying barriers and opportunities of affordable housing provision in Australia in the context of urban renewal projects. This paper aims to address this topic by examining existing and potential barriers and opportunities for increasing supplies of affordable housing in Australian cities. To achieve the research aim, the paper first visits the definition of affordable housing in the Australian context to see its status in the current real estate market. This includes discussions on methods of affordable housing delivery including urban renewal projects as well as some of existing challenges associated with them. Then, research methods are presented including justifications for selecting expert interviews to achieve the research aim. This is followed by findings from interviews with housing and planning experts. Lastly, discussions of the research findings are presented with a particular focus given to policy implications to boost affordable housing supply in Australia.

2. AFFORDABLE RENTAL HOUSING IN AUSTRALIA

This section will provide the definition of affordable housing and the major hurdles of affordable housing provision in Australia. Furthermore, this section will discuss different inclusionary zoning schemes across four states and one territory in Australia, which aims to enhance affordable housing delivery.

2.1 Definition of affordable housing

In Australia, the affordability of housing is defined based on accessibility and affordability requirements set by governments (Gurran, Gilbert, et al., 2018). For instance, the NSW Department of Communities and Justice of

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State defined that affordable housing should be affordable for very low to moderate-income households who earn less than 80% of the NSW or Sydney median income (NSW Department of Communities and Justice, 2009). In line with this, the NSW Government (2009)’s State Environmental Planning Policy for Affordable Housing (A-SEPP) 2009 (A-SEPP, 2009/2020) defined very low-, low- and moderate-income households if the household:

(a) has a gross income that is less than 120 per cent of the median household income for the time being for the Greater Sydney (Greater Capital City Statistical Area) (according to the Australian Bureau of Statistics) and pays no more than 30 per cent of that gross income in rent, or

(b) is eligible to occupy rental accommodation under the National Rental Affordability Scheme and pays no more rent than that which would be charged if the household were to occupy rental accommodation under that scheme. (Part I, Clause 6)

As such, although the term affordable housing is defined slightly differently in the various states of Australia (Davison, Gethin et al., 2012), it is generally understood as ‘housing that is appropriate for the needs of a range of low to moderate-income households and priced so that low and moderate incomes are able to meet their other essential basic living costs’ (van den Nouwelant et al., 2015; Milligan, V et al., 2007). This agrees with the view of Gurran et al. (2007) that affordable housing can be broadly defined as housing that accounts for no more than 30% of gross household income. Specifically, affordable housing must be a subject of a rental and managed by an affordable housing provider (or community housing providers) although the State of South Australia includes housing for both rental and sales (Davison, Gethin et al., 2012).

Nonetheless, the term affordable housing is often confused with other terms such as social housing and public housing. For example, the NSW Planning and Environmental Act 1987 defined that affordable housing does include social housing which is owned by the Director of Housing (public housing) (Victoria Department of Health and Human Services, 2018). This is because the definition and access to affordable housing often apply to a broader range of incomes including low-to-moderate-income households while social housing is primarily targeted at very low to low-income households. However, affordable housing can be distinguished from social housing by its rents, tenancy arrangement and inability to transfer homes and tenancy rights to household members (NSW Department of Communities and Justice, 2009). The affordable housing refers to an intermediate market as rents are generally set at 80% of market rent for private providers and less than 75% for non-for-profit providers (Pawson, Milligan, & Yates, 2020).

Similarly, affordable housing in Australia is different from public housing which is managed by state and territory housing authorities, such as Housing NSW, as it is mostly managed by registered affordable housing providers or other private entities on a non-profit basis (Groenhart, L. & Gurran, 2015).

Despite the use of similar but different terms, these definitions of affordable housing consistently suggest that housing affordability should be determined based on a household’s income level, rather than housing price alone. This is particularly important considering the rapidly increasing housing prices of major Australian cities making them not very ‘affordable’ to many households. This is well-reflected by requirements for Australia’s National Rental Affordability Scheme (NRAS) which originated from the Low-Income Housing Tax Credit (LIHTC) program in the US (Milligan,
Vivienne et al., 2015). NRAS (2008-2014) provided market indexed subsidies (e.g. a tax offset) to private investors or an annual cash payment to charitable organisations, to construct affordable rental housing (Pawson, Milligan, & Yates, 2020).

2.2 Insufficient affordable rental housing

In Australia, there is a general consensus across government, industry, non for profits, academia and the community about the importance of the provision of affordable housing, especially in cities with low levels of housing affordability (Morris et al., 2019; Gurran, Gilbert, et al., 2018; Birrell & McCloskey, 2015). Nonetheless, there has been an issue of inadequate supply of affordable rental housing throughout the country which contributes to the continuous high-level of housing stress in the Australian real estate market (National Housing Supply Council, 2009). Specifically, it is reported that almost 80 suburbs across the country including Adelaide City, the capital city of the State of South Australia, showed housing shortage in 2017 (Phillips & Joseph, 2017). Indeed, the current trend is a continuation of the shortfall of available affordable housing across the country since the mid-90’s (Hulse et al., 2019).

Several studies have highlighted the role of regulatory effects on affordable housing supply. For example, Gurran, Rowley, et al. (2018) and Christensen (2016) argued that the current land-use policies and building codes in Australia have not kept up with the need for affordable housing. Similarly, Pawson, Milligan, and Yates (2020) suggested that the provision of proper regulatory support and planning measures may be able to boost the affordable housing supply. This agrees with several other studies (Yates, 2016; Gurran, Gilbert, et al., 2018) highlighting that various regulatory support and mandating would be required to address declining the proportion of low-cost housing stocks in Australian cities.

Meanwhile, addressing balanced communities through urban renewal projects is becoming more important due to the projects’ potential impact on housing prices (van den Nouwelant et al., 2015). In Australia, State and some local governments have begun to include affordable housing targets in their renewal projects, usually set at between 5% to 10% of housing units (Armstrong, 2018). For example, in NSW, several different renewal projects driven by either public or private sector included affordable rental housing as a part of their projects. These include, but not limited to, City West & Green Square, Harold Park and Barangaroo which all incorporated a range of affordable housing units ranging from 20 units to approximately 3,000 units (Davison, Gethin et al., 2012). South Australian State Government also established RenewalSA and delivered affordable housing units for sale and rental through urban renewal projects across several areas within the state including Woodville West and Bowden (Renewal SA, 2020). This is similar to Queensland where affordable housing was delivered in Bowen Hills, Northshore Hamilton and Woolloongabba projects (Davison, Gethin et al., 2012). Overall, many of these renewal projects are located at inner-city areas although they are not the most affluent suburbs in their states. On one hand, this allows better accessibility to the city centre and other amenities for local residents. On the other hand, this may contribute to a high level of gentrification which is generally occurring within a 5-15km range of the city’s major Commercial Business Districts (CBD) making local residents hard to find their homes (Pegler, Li, & Pojani, 2020).
Despite the existing concern, providing affordable housing through urban renewal can make several social and economic contributions. For example, governments can provide affordable housing by using existing sites and infrastructure while minimising the risks of gentrification (Gurran, 2008; van den Nouwelant et al., 2015). However, it should be also noted that its key concepts and the methods of delivery are still debatable. As a result, even though there are also several other countries, such as the USA, UK and Spain, attempting to deliver affordable housing through urban renewal projects (Armstrong, 2020; Colantonio & Dixon, 2011). Australia is relatively behind these countries in its wider adoption.

2.3 Affordable housing delivery

In Australia, affordable housing is delivered at different levels of governments in various forms (Rowley et al., 2016). For instance, the federal government announced the Affordable Housing Working Group in mid-2010 to investigate innovative approaches to boost affordable housing supply (Affordable Housing Working Group, 2017). At the state level, some state governments including the Queensland government established a state-wide strategy to increase affordable housing supply (Queensland Government, 2017). Likewise, at the local government level, the City of Sydney council set a supply target for affordable housing through non-profit providers to ensure at least 7.5% of housing within its local government area covering the Sydney CBD will be affordable (City of Sydney, 2017). This is similar to the City of Melbourne council which aims to deliver up to 25% of residential developments in council-owned lands as affordable housing to meet the increasing demand from population growth and expected uptake of housing prices (City of Melbourne, 2020). Nonetheless, it should be also noted that just over 10% of local councils nationwide have explicit housing affordability targets (Morris et al., 2019).

Regardless of the responsible entity, delivery of affordable housing in the Australian policy context can be broadly classified into two different methods: mandatory or voluntary. Mandatory methods include ‘inclusionary zoning’ which mandates a specified percentage of affordable housing in given projects (Kraatz, 2018; Greenhalgh & Bosman, 2016). On the other hand, voluntary methods include various bonuses, negotiated planning agreements, and subsidies and funding provided in a form of affordable housing program or scheme such as the NRAS (Gurran, Gilbert, et al., 2018).

Inclusionary zoning (IZ) is widely adopted in many parts of the UK and the US. For instance, almost half of affordable housing in England was supplied through inclusionary zoning in 2015-16 (Gurran, Gilbert, et al., 2018). It has several benefits such as explicit transparency in the required portion of affordable housing for eligible projects and thus it is considered as a method to reduce local residents’ opposition to affordable housing supply, which is a typical “Not In My Back Yard” (NIMBY) response for loss of local amenity, lowering house prices and increasing traffic congestion (Nguyen, Basolo, & Tiwari, 2013; Davison, G. et al., 2013). At the same time, inclusionary zoning encourages community diversity by allowing social mix among households with varying income levels (Council of Australian Governments, 2012). This is important in reducing the possible stigma towards residents of affordable and social housing and overcoming residents’ disadvantage by having good access to employment opportunity and social benefits (Ziersch, Arthurson, & Levin, 2018; Ruiz-Tagle, 2017; Groenhart, L.
Further, it is reported that inclusionary zoning does not limit the housing supply (Mukhija et al., 2010). Morrison and Burgess (2014) also agree that inclusionary zoning remains as an important tool in delivering affordable housing. As such, implementation of inclusionary zoning in urban renewal projects can help to address various issues associated with providing affordable housing without imposing significant financial burdens on government (Burchell & Galley, 2000).

Inclusionary zoning is mandatory in some Australian states and territories although the mandated proportion varies significantly (Table 1). For example, the NSW government mandates at least 2% of housing in specified development zones must be affordable or developers must pay a housing levy (AHURI, 2017). In line with this, the urban renewal of Green Square in Sydney, located in a corridor between the CBD and airport, adopted inclusionary zoning to provide affordable housing, following a previous urban renewal project in the Pyrmont–Ultimo area on the western fringe of the Sydney CBD (Gurran & Phibbs, 2015). Developments in the Pyrmont-Ultimo required the inclusion of affordable housing up to 3% of total floor area depending on the type of development, whether residential or non-residential (City of Sydney, 2019).

Meanwhile, Western Australia set a higher target of 15% on housing development projects in their state (Kraatz, 2018). Similarly, the South Australian also requires at least 15% of new housing development must be affordable housing (AHURI, 2017). In contrast, the second-most populous state of Victoria currently does not have any specific inclusionary zoning requirements although a pilot study is underway.

Table 1. Inclusionary zoning adopted by Australian states and territories

<table>
<thead>
<tr>
<th>State/Territories</th>
<th>Inclusionary zoning requirements for affordable housing supply</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>2% for affordable housing in specified zones otherwise pay housing levy</td>
<td>AHURI (2017), Kraatz (2018)</td>
</tr>
<tr>
<td></td>
<td>Further, Greater Sydney Commissions recently included 5-10% affordable housing target</td>
<td>National Shelter (2019)</td>
</tr>
<tr>
<td>Victoria</td>
<td>A pilot study is underway</td>
<td>State Government of Victoria (2017)</td>
</tr>
<tr>
<td>South Australia</td>
<td>15% of affordable housing for significant development projects (including urban renewal areas) with at least 5% for high-needs groups</td>
<td>AHURI (2017), Kraatz (2018)</td>
</tr>
<tr>
<td>Western Australia</td>
<td>15% of affordable housing for all government-managed land and housing development projects</td>
<td>Kraatz (2018)</td>
</tr>
<tr>
<td>Tasmania</td>
<td>Not included in the existing strategy</td>
<td></td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>20% for affordable housing for all new housing developments (including urban renewal areas) along with the provision of other</td>
<td>AHURI (2017)</td>
</tr>
</tbody>
</table>
Despite the availability of inclusionary zoning in several different states and territories across Australia, its effectiveness is still a subject of debate. For instance, Gurran, Gilbert, et al. (2018)’s study noted that inclusionary zoning may not be effectively implemented and its mandatory adoption needs to be improved urgently. It is also suggested that inclusionary zoning presents political issues for Australian governments at all levels despite its potential role to mitigate housing stress (Kraatz, 2018). Historically, inclusionary zoning in Australia mostly being driven at the local government level (Gurran, 2003) although some states including NSW later adopted rather the state-wide policy (National Shelter, 2019). A relatively small number of local councils in NSW specified inclusionary zoning for their urban renewal projects, such as the City of Sydney for its Pyrmont–Ultimo and Barangaroo projects, compared to councils which adopted other planning measures such as rezoning with varying percentages of affordable housing supply (Leichhardt Council, 2016). This concurs with findings from Gurran, Gilbert, et al. (2018) that provision of incentives from the federal and state governments is recommended to boost affordable housing supply through inclusionary zoning. Additionally, the implementation of inclusionary zoning has been criticised as it may drive up housing costs in some Australian cities including Sydney where prices are already the highest of the nation (Tan, 2018). However, it is promising to see various state government agencies either piloting or incorporating targets in metropolitan and state-wide planning and housing strategies as outlined in Table 1.

In contrast to inclusionary zoning for the mandatory supply of affordable housing, Australia’s National Rental Affordability Scheme (NRAS) was designed by the federal government in partnership with state and territory governments in 2008 to offer financial incentives to affordable housing providers to supply housing at least 20% less than the market rent for 10 years (Department of Social Services, 2019a). Specifically, the eligibility for NRAS-approved tenants is determined based on their income level to qualify as very low to medium-income households – For example, the income limit for first adult in the 2019-20 NRAS year is set as $51,398 and this can be expended depending on the number of additional adults and child in the household (Department of Social Services, 2019c). The scheme is managed under the National Rental Affordability Scheme Act 2008 (NRAS Act) and the National Rental Affordability Scheme Regulations 2008 (NRAS Regulations) (Department of Social Services, 2019a). Although the requirements for applying for NRAS vary slightly for different states and territories due to different housing markets, the principle of the scheme remains the same. For example, the federal government provides a refundable tax offset or payment while state or territory governments provide direct financial support or an in-kind contribution (McLaren, Yeo, & Sweet, 2016). Likewise, the 10 years of incentives provided for NRAS housing suppliers are no longer available once their obligation ceases and thus they can charge tenants the full market rate rather than the discounted rate (NRAS Property Australia, 2013).

Since the introduction of NRAS in 2008, the government has committed almost 40,000 dwellings (Department of Social Services, 2019b). A variety of NRAS housing has been delivered in different states and territories including

<table>
<thead>
<tr>
<th>Northern Territory</th>
<th>Not included in the current housing strategy</th>
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benefits for purchasers (e.g. land rent scheme)
apartments (38.7%), separate houses (21.9%), studios (17.2%) and townhouses (22%) (Rowley et al., 2016). However, NRAS has been also a subject of debate due to its regulatory effects. Advocates argued that NRAS attracted investors to the market and stimulated investments in affordable housing (Khanjanasthiti, Earl, & Armitage, 2016b). This agrees with Rowley et al. (2016) that NRAS increased affordable housing supply and reduced housing stress for thousands of households. For instance, NRAS helped reduce living costs through the diversity of housing types in suburbs with mid-range socioeconomic characteristics. It is also suggested that NRAS contributes to an increase in government revenue and job creation (Khanjanasthiti, Earl, & Armitage, 2016a). Further, NRAS has long-term benefits due to its tax incentives especially compared to other welfare programs (Antoniades, 2014).

On the other hand, there are several criticisms of its regulatory effects which eventually led to the scheme’s discontinuation in 2014. Some of the common criticisms include concerns about complex administration, poor targeting, and administrative delays (Rowley et al., 2016). Milligan, Vivienne et al. (2015) noted that NRAS did not attract the institutional investors the scheme was targeting. There are also several criticisms related to the specific situation of each state or territory which eventually resulted in the inefficiency of the scheme. For example, in contrast to the NRAS, the affordable housing state environmental planning policy of NSW targets smaller-scale development, and this resulted in limited integration of the affordable housing policies of governments at different levels (Yates, 2013) This also occurred in Queensland as requirements to nominate specific housing for NRAS were not possible at the early stage of the state’s Urban Land Development Authority (ULDA) development process when securing funding is needed for project feasibility (Davison, Gethin et al., 2012).

### 2.4 Challenges for affordable housing

Despite the existing policy instruments including inclusionary zoning and NRAS, increasing the affordable housing supply was not entirely successful across the country for several reasons. Specifically in Australia, public opposition towards affordable housing projects is often considered as one of the significant reasons hindering affordable housing projects and subsequently, causing a significant delay in project delivery and even the abandonment of related projects (Davison, Gethin, Han, & Liu, 2017). This is further supported by several studies (Armstrong, 2020; Gabriel & Jacobs, 2006; Davison, G. et al., 2013) showing existing prejudice towards residents of affordable housing, community resistance to unwanted physical changes in a neighbourhood, and worsening parking and traffic often caused public opposition. Moreover, even though a project may be supported in principle, residents seem less favourable towards having affordable housing in their neighbourhood. Again, this may be due to several reasons including the possible stigma towards affordable housing residents which often leads to the NIMBY-ism phenomenon (Davison, Gethin, Han, & Liu, 2017). The phenomenon of NIMBY-ism can be found across several urban renewal projects including Green Square in New South Wales, Port Phillip in Victoria, and Mitchelton and Cairns in Queensland (Davison, Gethin, Han, & Liu, 2017; Davison, G. et al., 2013) Ruming, 2018).

NIMBY-ism towards affordable housing is no exception to suburbs for high-income households worrying about the attractiveness of their localities. This eventually leads to profit-driven real estate developers being reluctant to include affordable housing in their portfolio (Armstrong, 2020). This is
supported by Davison, G. et al. (2013) who found a relatively higher level of opposition in wealthy areas where there is a limited number of multi-unit developments or affordable housing. Another trigger for NIMBY-ism includes a sense of injustice about planned affordable housing developments. This is reflected by a response obtained in Davison, Gethin et al. (2016)’s research:

“I only bought into this area as there wasn’t housing commission3 in the area ... Why should I as a law-abiding taxpayer have to subsidise people who can’t get a job and do the right thing for a chance to live in an affluent suburb”.

In addition to the above, poor market information and low-quality portfolios also play a role in community support (Newell, Lee, & Kupke, 2015). Despite the shortage of affordable housing supply in Australian cities (Hulse et al., 2015), these issues all eventually resulted in many affordable housing projects relying on government funding and initiatives, rather than being supported by profit-driven investors and developers.

Nevertheless, several studies conducted outside of Australia also pointed out that some of the challenges, such as the expected negative impact on local housing prices, are generally negligible. For instance, findings of US studies (Nguyen, 2005; Ellen et al., 2007) consistently indicate that housing prices of the local neighbourhood often depend on many other attributes such as location and building characteristics, rather than affordable housing projects. Further, in Taiwan, an increase in housing prices was found due to urban renewal projects (Lee, Liang, & Chen, 2017). This suggests that urban renewal cannot only vitalise the existing city and provide more housing for people but also may lift the local real estate market by choosing the right location.

3. RESEARCH METHOD

This section will discuss the qualitative research method used in the study. A series of structured telephone interviews based on the judgemental sampling method was conducted. Interviews were used considering it allows more efficient data gathering for exploratory study (Bogner, Littig, & Menz, 2009). Further, it allows confirmation of the findings from the existing literature including the identified barriers and opportunities. Most importantly, it enables discussions on the implementations of the currently adopted regulations aiming at affordable housing provision in the Australian context.

Interviewees were first identified based on the location of their affordable housing projects, number of years of experience and their sector using publicly available data such as the NRAS website. The states of NSW and Queensland were selected as the geographical scope of this research considering the availability of major urban renewal projects in their cities involving affordable housing. Ethics approval was obtained from the University of New South Wales for the interview (reference number: HC191032). Interview participants were asked to identify the existing and potential barriers and opportunities for affordable housing supply through urban renewal.

Overall, seven telephone interviews were conducted with experts from both the private (affordable housing provider) and public (planning experts from local councils) sectors. All these interviewees have at least 3 years of

3 State’s public housing authority delivers a range of housing including affordable housing and social housing
experience in affordable housing projects in NSW and/or Queensland and played a significant role in delivering affordable housing projects in these regions. All of them are from either non-for-profit sector or public sector (e.g., local council). This is justifiable considering profit-driven private developers often have different interests towards affordable housing projects, compared to non-for-profit or public sectors.

The average length of each interview was about 20 minutes. These interviews were voice-recorded with participants’ agreement then transcribed for further analysis. Table 2 shows the profile of the seven expert interviewees who participated in this research.

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<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Organisation</th>
<th>Sector</th>
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</thead>
<tbody>
<tr>
<td>Interviewee A</td>
<td>Senior management</td>
<td>Affordable housing provider</td>
<td>Non-for-profit sector</td>
</tr>
<tr>
<td>Interviewee B</td>
<td>Senior management</td>
<td>Affordable housing provider</td>
<td>Non-for-profit sector</td>
</tr>
<tr>
<td>Interviewee C</td>
<td>Senior management</td>
<td>Affordable housing provider</td>
<td>Non-for-profit sector</td>
</tr>
<tr>
<td>Interviewee D</td>
<td>Middle management</td>
<td>Affordable housing provider</td>
<td>Non-for-profit sector</td>
</tr>
<tr>
<td>Interviewee E</td>
<td>Senior management</td>
<td>Affordable housing provider</td>
<td>Non-for-profit sector</td>
</tr>
<tr>
<td>Interviewee F</td>
<td>Planning expert</td>
<td>Local council</td>
<td>Public sector</td>
</tr>
<tr>
<td>Interviewee G</td>
<td>Planning expert</td>
<td>Local council</td>
<td>Public sector</td>
</tr>
</tbody>
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4. RESEARCH FINDINGS

This section will highlight key research findings in this study. Based on the expert interviews, the section further explores barriers and opportunities for affordable housing supply in Australia in the context of urban renewal.

4.1 Barriers for affordable housing supply through urban renewal

Firstly, interviewees were asked about their experience in dealing with local residents’ perceptions towards affordable housing. Similar to many other countries, interviewees reported that affordable housing is not always perceived positively in Australia, mainly due to the negative stigma caused by confusion about the concept of affordable housing. Specifically, all seven interviewees suggested that many people do not distinguish between affordable housing and social housing. As a result, there is widespread misunderstanding about affordable housing that they are ‘low socio-economic concentrations’, ‘ghettos’ or ‘slums’. For example, Interviewee F stated that:

“The average person still might have an awful perception that affordable housing is occupied by those who don’t have a job, have low-income, etc. which is associated with social housing which is really not the case (either)”.

This subsequently caused public opposition to projects which often involved residential action groups. This is further reinforced by Interviewee G from a local council stating that:

“Recently, we’ve introduced in the town centre of [suburb name] and [suburb name], we proposed a levy to dedicated housing, and we’ve received quite a few submissions on the proposition of affordable housing because of the social impact and perceptions that they’ll be bad people”.

As noted earlier, the currently existing negative perception towards affordable housing is not entirely new. However, this often leads to more serious consequences such as low political priority, inability to achieve the social mix, and the tendency for being rejected by local councils and profit-driven private developers (Yates, 2013; Atkinson & Jacobs, 2008). According to Davison, Gethin et al. (2016), these barriers are often hard to overcome and thus, requires adoption of various strategies to mitigate the issue (e.g. media coverage).

Interestingly, interviewees also reported that the negative community perceptions are not the biggest barrier to affordable housing supply. Rather, all interviewees pointed out that limited government support and political issues are the most significant barriers that need to be overcome. This caused a concern that the currently implemented affordable housing policies and renewal strategies are not sufficient to alleviate the existing housing stress. For instance, Interviewee B was concerned that many renewal projects in Australia, especially large ones, are skewed to profit-driven private developers, rather than meeting the housing needs of vulnerable households. Interviewee E also agreed that affordable housing supply is not well- reflected in government policy and planning documents despite its importance:

“In NSW, the language they use is never consistent and outcomes for affordable housing and urban renewal are always very low”.

This is further echoed by Interviewee C and G that affordable housing has not been a key priority nor clear strategy is presented at the federal government level. Again, this can be problematic considering many investors and developers are reluctant to actively deliver affordable housing due to the expected low profitability.

In line with the above findings, several shortcomings of the currently implemented NRAS were also identified. According to Interviewee C, the current NRAS gives the same amount of subsidy regardless of what is built and where it is built. Similarly, Interviewee A stated that the same incentive is given to investors under the NRAS regardless of whether they build a 1-bedroom apartment near the city or a 4-bedroom house in a regional town. This can be problematic considering these two may not equality contribute to better housing affordability. Interviewee F agreed, stating that NRAS does not reflect geographical variation well. Therefore, the offset is considered less valuable in the more expensive markets such as Sydney. This ‘counter-productive’ nature of NRAS might subsequently cause lower affordable housing supply in areas where there is a relatively higher need for housing.

Additionally, Interviewee F also argued that it is hard to apply incentives at the beginning of a project. Therefore, not much flexibility is currently allowed in the later stage of project delivery. From the project management perspective, this limited flexibility may impact project outcomes (Jalali Sohi, Bosch-Rekveldt, & Hertogh, 2019). From the tenants’ perspective, Interviewee C was concerned that moderate-income households are not well-
supported by NRAS. This is especially true when comparing them to low and very low-income households who have access to social and other public housing.

Lastly, at least three interviewees also pointed out that NRAS should continue longer than 10 years, perhaps with a smaller offset to allow some longevity. This is consistent with other Australian affordable housing research (Milligan, Vivienne et al., 2017) suggesting that the continuity of policy and funding settings is crucial to maintain industry confidence and momentum and attract super funds investing in housing – looking for stable, long-term return on investment (ROI) at scale. Indeed, Interviewee D noted that affordable housing is a high-risk product in Australia because it is related to political and emotional issues (e.g. negative reactions expressed by community actions groups). Moreover, because inclusionary zoning further affects financial viability, it limits the private sector actively deliver affordable housing through urban renewal projects.

Table 3 shows the list of barriers identified in the interview series. These barriers are further discussed in the subsequent part of this paper to see their implications.

<table>
<thead>
<tr>
<th>Identified barriers</th>
<th>Explanations</th>
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<tbody>
<tr>
<td>· NIMBY-ism</td>
<td>Negative stigma towards affordable housing which is mainly attributes to housing for low to very-low income households (e.g. social housing).</td>
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<tr>
<td>· Limited accountability</td>
<td>Limited long-term support at the federal government level required for affordable housing supply. Need for long-term strategy to cover a wide range of households with varying income level.</td>
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<tr>
<td>· Limited urban governance</td>
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<tr>
<td>· Limited longevity</td>
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<tr>
<td>· Unclear targets</td>
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<tr>
<td>· Negative impact on property prices</td>
<td>Profit-driven developers often feel reluctant to include affordable housing due to their perceptions on low return on investment.</td>
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<tr>
<td>· Pay cash-compensation in lieu of providing affordable</td>
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4.2 Opportunities for affordable housing supply through urban renewal

Despite some existing barriers, this research also identified several opportunities which can be further explored. Firstly, more than half of the interviewees expressed a view that people are increasingly more supportive once they understand what affordable housing really is. Further, Interviewee A stated that actual residents indeed feel proud of living in affordable housing. In the context of community sentiment, Scally (2013) suggested that public education and communication are recommended to reduce NIMBY-ism and stimulate affordable housing supply through urban renewal projects. This is further supported by Interviewee A stating that the limited understanding of affordable housing in Australia may be attributed to its relatively short history compared to the US.

In line with this, the importance of the location of renewal projects was also often highlighted by several interviewees. For example, Interviewees B and C noted that mixed tenure in appropriate proportions at appropriate
locations can further reduce the existing NIMBY-ism. As noted earlier, the minimum requirement for affordable housing supply through inclusionary zoning in Australia is usually 5–10%, compared to much higher rates in some overseas cities. Nonetheless, many NRAS-approved properties are often located within the usual residential zones and they are publicly disclosed for lease through well-known real estate portals for the public.

Similar to any other real estate development projects, the concept of "highest and best use" is important for urban renewal projects, and this can be achieved by using the existing infrastructure in the area. For example, Interviewee D stated that:

“Affordable housing is an important part of the housing market, and generally places, where urban renewal takes place, are places where there are already services like transport, close to shops, services, etc. that makes a good location for affordable housing.”

In line with this, it is found that the main reason for urban renewal projects in Australia is to make better use of the existing government-owned land as much as possible. Many projects led by state governments aim to provide housing quantity and increase the residential density of local neighbourhoods. As such, all interviewees agreed that affordable housing can contribute to urban renewal in many ways. For instance, Interviewee A stated that it can add value to the entire city, rather than providing benefits to individual households alone by developing under-utilised areas. This is further highlighted by Interviewee C stating that:

“Affordable housing should be looked at as infrastructure, not welfare.”

When delivering affordable housing, there is a consensus that it needs to consider a combination of several different factors such as location, financial viability and expected outcome from the project. Specifically, Interviewee C suggested that retrofitting by turning old buildings into mixed-tenure housing would be appropriate in major cities. This is echoed by Interviewees B and C stating that retrofitting would be more appropriate than new construction in Australian cities like Sydney. However, Interviewee D also pointed out that retrofitting existing buildings may impact the financial viability of a project. This can deter private sector investors especially if it is related to heritage restrictions. Interviewee F from a local council agreed, stating that local councils often do not have many resources to deliver affordable housing despite its importance.

There was consensus amongst the interviewees that affordable housing should form an integral part of renewal projects. This is especially true for large projects on government-owned land. In line with this, it is suggested that expanding and strengthening the partnership between government agencies and various stakeholders can boost the affordable housing supply in Australia. This is supported by van den Nouwelant et al. (2015)’s earlier research highlighting the role of government working with affordable housing providers in urban renewal projects as a ‘land facilitator’. Further, the two interviewees from local councils also noted that most local governments are willing to work with affordable housing providers. This may include amending local planning instruments such as the Local Environmental Plan (LEP) or using the council’s own lands as much as possible. It is expected that this could improve both the quantity and quality of affordable housing across the country by increasing financing required for renewal projects (Whitzman,
For instance, it may be worthwhile to design a planning mechanism to allow ‘mum and dad’ investor groups to invest in affordable housing as can be seen from the case of real estate investment trusts (REITs) and superfunds in ‘build for long-term rent’ projects. The Nightingale development in Melbourne provides one such example (https://nightingalehousing.org/). Interviewees also suggested several possible strategies to stimulate affordable housing supply including - designing incentives based on the value or yield of the housing, raising the lower-limit income threshold, and reviewing stamp duty, negative gearing and capital gains tax. At the federal government level, the establishment of National Housing Finance and Investment Corporation (NHFIC) (https://www.nhfic.gov.au/) can be another opportunity as it provides several assistances including a low-interest loan to developers and first home buyers.

It is also noted that the re-vitalisation of neighbourhoods by improving the liveability of the renewal area, job creation and provision of better equity for local residents are considered as by-products of urban renewal or redevelopment. This is in contrast to other countries such as the UK and the Netherlands where various social goals such as social mix are also often considered as a priority (Kleinhans, 2004; Nabielek, 2011). Again, this suggests that affordable housing supply through urban renewal should be considered as a form of building essential infrastructure, rather than as providing welfare for a limited group of people.

Table 4 shows the identified opportunities regarding affordable housing supply through urban renewal in Australia. These must be further explored to examine their impacts on the sustainable supply of affordable housing across the country.

<table>
<thead>
<tr>
<th>Identified opportunity</th>
<th>Explanations</th>
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<tbody>
<tr>
<td>• Project locations</td>
<td>Many urban renewal projects are happening near the city centre where access to various amenities and infrastructure are allowed</td>
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<tr>
<td>• Local planning instruments, local environment plans, housing strategies</td>
<td>Local government’s strong willingness to support affordable housing through various planning strategies</td>
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<tr>
<td>• Improve communication of affordable and social housing</td>
<td>Local residents often show favourable attitudes once they understand about affordable housing</td>
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<tr>
<td>• Grassroots (Mum and Dad) affordable housing projects i.e. Nightingale</td>
<td>Required financing for urban renewal projects can be sourced from other than government grants</td>
</tr>
<tr>
<td>• Funding schemes e.g. NHFIC</td>
<td>Affordable housing provision can be considered as the primary goal of urban renewal projects</td>
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</table>

Table 4. Opportunities for affordable housing supply through urban renewal
5. CONCLUSIONS

This research investigated the barriers and opportunities associated with affordable housing supply through urban renewal in the Australian context. Provision of long-term affordable housing has been recognised by different planning legislation, initiatives and strategies introduced by federal, state and local governments. Through interviews with experts in the field, the paper identified several challenges such as the general public’s misunderstanding that the concept of affordable housing is similar to social housing and only for very low-income and disadvantaged households. As a result, even though many people agree that it is essential to provide affordable housing in Australia, there is still a degree of concern and opposition which is often represented by NIMBY-ism. Several other challenges such as concern about the impact of affordable housing on housing prices of local neighbourhoods, gentrification, financial feasibility, and issues related to the existing planning measure further hinder the wider provision of affordable housing across Australia. However, at least in the Australian context, the challenges can mostly be overcome. Indeed, some of these challenges including NIMBY-ism and the impact on local real estate markets are still unclear despite recent studies examined a range of factors to affect value-uplift in Australia (Lieske et al., 2019).

On the other hand, some of the other challenges require more sophisticated approaches. Several recommendations are made such as long-term government commitment, better support for both institutional and ‘mum and dad’ investors and tailoring the existing strategies. For example, the provision of long-term incentives for over 10 years for affordable housing developments based on the geographical location of renewal projects can be considered as some Australian housing markets are not very accessible due to their higher prices. Likewise, choosing a location where essential infrastructure already exists is recommended to make the best use of existing land while allowing residents easy access to the city and jobs.

The location of affordable housing provision is very important while there is an increasing demand for more stock of affordable rental housing in Australia. In the absence of a national affordable housing provider like as is the case in countries such as Singapore and South Korea; it seems necessary to provide affordable housing in Australia through urban renewal projects. State or local governments are required to force a private developer to provide affordable housing via the inclusionary zoning scheme. However, there may be a case that most developers choose to pay cash-compensation in lieu of providing affordable housing (City of Melbourne, 2006). Thus, it remains a major challenge to increase affordable housing stock through urban renewal projects in Australia.

From the policy implication perspective, the market-based approach in Australia may slow down affordable housing provision on the supply side but the taxation system such as ‘negative gearing’ on the demand side can be an effective means of encouraging private sectors to invest in the affordable housing market. Likewise, diversification of financial sources for renewal projects involving affordable housing must be considered. At present, these

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projects are primarily sourced from the tax-payer’s money. As a result, it makes not easy for governments to deliver the required projects due to the expected public opposition (Davison, Gethin et al., 2016). Methods of project financing for such projects should be considered, especially when considering the minimum or negligible impact of affordable housing on local housing prices.

In line with the above, further research is required to examine the impact of Australia’s negative gearing and interaction with other aspects of NRAS with super funds policies on affordable housing provision. Moreover, it is recommended to study the impact of NHFIC to understand its role and impact on mitigating the existing housing affordability issue. Additionally, enlarging the number of interviewees from the federal and state governments, housing associations, academia and various private and institutional investors investing in residential projects would provide further insights on how affordable housing can be better provided through urban renewal. Quantitative data collection and analysis is also recommended where possible. This would also allow better comparison of the findings among different stakeholders having varying interests.

APPENDIX: INTERVIEW GUIDE QUESTIONS

1. What do you believe the main purposes of urban regeneration projects in Australia (e.g. job creation, revitalisation of cities, provision of the better living environment)?

2. To what extent the provision of affordable housing can contribute to urban regeneration in Australia (e.g. prevent gentrification, social-mix, public welfare) and what would be the best way to deliver relevant projects (e.g. new construction, retrofit, mixed-use)?

3. What do you believe the general perceptions of affordable housing in Australia?

4. What do you believe the biggest obstacles for the successful delivery of affordable housing projects in Australia (e.g. low-profitability, public opposition, a collaboration between external stakeholders) and how they have been overcome?

5. What do you believe the critical success factors for the successful delivery of affordable housing projects in Australia (e.g. tax reduction, provision of various incentives)?

6. What do you think the optimal price for affordable housing in Australia? (e.g. at least 20% lower than market rate)

7. What do you believe the important implications of the National Rental Affordability Scheme (NRAS) and how it should be developed further? (e.g. lower income threshold)?
REFERENCES


