

Chapter 6

Housing diversity

6.1 The argument in Chapter 5 centres on acknowledging that the challenge of increasing the supply of residential housing in Australia is not simply a matter of releasing more land and building more houses. Crucially, housing stock must also be suited to the needs and the means of purchasers. For most regions it would be appropriate for there to be different housing options which offer a choice of dwelling size, tenure type and price. This chapter looks at the evidence of the adequacy of the housing mix in Australia and notes some solutions for increasing the stock of affordable housing.

The lack of diversity

6.2 Many residential developments in Australia have ignored the need for a diverse mix of housing. On several occasions, the committee heard from witnesses about new housing developments comprising exclusively large four bedroom, two bathroom houses with three car garages, often colloquially described as 'McMansions'.

6.3 Professor Terry Burke from the Australian Housing and Urban Research Institute told the committee: 'Historically, I do not think we have really built suburbs as lacking in diversity as those we are building at the moment'.¹

6.4 Anecdotally, the committee notes that housing diversity is a particular problem in western Sydney. Community advocates were often critical that the lack of housing diversity was ignoring the needs of low income earners. As the Director of the Macarthur Community Forum told the committee:

All land release that I am aware of in this region is being targeted for large houses and high-income people. So we are still not addressing the needs of those people that are in mortgage crisis, have a low income or are unemployed.²

6.5 She noted that the south-western outer urban areas of Sydney, with ample land, predominantly have houses with three bedrooms or more. However the area has many single parents, single people and a growing aged population. The need, therefore, is also for smaller dwellings.³

1 Professor T Burke, *Committee Hansard*, 24 April 2008, p. 22.

2 Ms J McIvor, *Committee Hansard*, 3 April 2008, p. 4.

3 Ms J McIvor, *Committee Hansard*, 3 April 2008, p. 8.

6.6 The Western Sydney Regional Organisation of Councils (WSROC) noted that the bulk of the housing stock in western Sydney is increasingly unsuited to the changing demographic composition of the region. The Assistant Director of WSROC told the committee that in her time working for the Baulkham Hills Council:

...developers...claimed they did market research, in fact all they did was an analysis of what sold well last year...which were very much targeted to families with young children particularly...But in more recent years, particularly because of the cost of housing...areas are now accommodating people with older families, people trading up, second- and third-time buyers, and quite often elderly people who want to move to the fringe if their families have moved there. So the nature of the housing stock that was being produced did not actually fit the current demographics of the area...⁴

6.7 The Real Estate Institute of Western Australia also identified the lack of housing diversity as a key problem:

WA has a love affair with single detached housing, and we have seen the proportion of multiresidential affordable housing actually go backwards in real terms over the last 10 years. For us, having housing diversity is a major issue because we think it is important for affordability, particularly in the rental sector.⁵

6.8 It is not only developers that may be inhibiting diversity:

In a number of developments you do have covenants which are intended to influence the type of housing development that occurs. You have local council planning requirements which influence design, types of building products that can be utilised, house sizes.⁶

Problems caused by lack of diversity

6.9 FaHCSIA opined that 'the best sorts of developments are those that have fairly mixed tenant profiles or homeowner profiles'.⁷ The Planning Institute of Australia also:

...considers that a broad socioeconomic mix is a vital attribute of sustainable development...affordable housing spread broadly across metropolitan areas is critical to ensure that low- to middle-income-earning essential workers—for instance, childcare workers, educators, nursing assistants and the like—are able to live affordably and in close proximity to where they are needed.⁸

4 Ms S Fingland, *Committee Hansard*, 3 April 2008, p. 15.

5 Mr S Darby, *Committee Hansard*, 8 April 2008, p. 30.

6 Dr R Silberberg, *Committee Hansard*, 1 April 2008, p. 102.

7 Ms P Winzar, Department of Families, Housing, Community Services and Indigenous Affairs, *Committee Hansard*, 1 April 2008, p. 19.

8 Mr N Savery, *Committee Hansard*, 1 April 2008, pp 58–59.

6.10 The committee emphasises the importance of a diverse housing mix to ensure that Australia's cities are not segregated according to housing types and, therefore, demographics and income. Public housing developments in capital cities are often examples of the problems that arise if specific areas are set aside to meet the housing needs of a particularly narrow socio-demographic cohort. Australia should not go down the path of some American and third-world cities with a residential 'apartheid' between 'ghettoes' of low-income people and gated communities of the rich, with very little social interaction between the two groups, and very different qualities of local facilities such as schools and cultural venues.

6.11 As well as these concerns, a lack of diversity means that young adults seeking to live independently and older 'empty nesters' wanting to move to smaller accommodation are often forced to move away from their communities simply due to a lack of suitable accommodation. As a planner from Ballina put it:

...the reason a lot of people want a larger dwelling is the resale value and the sense that at the appropriate time you can then sell that large dwelling and buy a smaller dwelling which is more appropriate to your needs as you age. However, there may be a mismatch there because of the fact that we do not actually have those smaller dwellings to move into.⁹

6.12 The Victorian Division of the Planning Institute of Australia suggested that what is being marketed by developers is not what makes for a connected community:

One of the things we are trying to explore is whether or not a lot of the product that is being delivered is what the communities are seeking or whether they are just buying it because it is cheaper to buy a product than it is to buy a house. The idea of having a range and diversity of housing is something that needs to be instilled in our planning policies. To take that a bit further, we have the notion of what makes a good community. A community is one where people feel connected, where people feel they have access to services and facilities and where people feel that they have some form of housing that meets their basic needs. I think that as we go through the debate on housing affordability, we can get caught up in what is being marketed to us on a broader scale and we do not necessarily come back to these notions of good communities.¹⁰

Policy responses and their critics

6.13 One response to increase the diversity of housing is to encourage, or require, developers to provide a range of housing types in new developments, a process sometimes called 'inclusionary zoning'. A common example is to require that a specific proportion—typically between 10 and 15 per cent—of housing be smaller, affordable, housing.

9 Mr S Scott, Ballina Shire Council, *Committee Hansard*, 16 April 2008, p. 6.

10 Mr J Black, *Committee Hansard*, 23 April 2008, p. 55.

6.14 This is common in Europe and also practised in the United States:

Amongst the countries that we would compare ourselves with, Australia is a laggard in dealing with that sort of issue. The United States has inclusionary zoning, the United Kingdom has inclusionary zoning, and much of Europe has other programs explicitly to make certain that a percentage of the housing that is constructed each year is of an affordable nature.¹¹

6.15 The governments that appear to be taking initiatives to ensure new developments have a diversity of housing types, and specifically include some housing accessible to lower income Australians, are those of South Australia and the ACT. The former was commended by National Shelter:

...the real benefit of the South Australian approach is that it has set up a system around its planning system to try and ensure that 15 per cent of all new developments have affordable housing on them and one third of that be social housing.¹²

6.16 The South Australian Government's *2005 State Housing Plan* has set a 15 per cent target for affordable housing. The state government is also aiming to increase affordable home purchases and rental opportunities by five percentage points by 2014 to 38.8 per cent of all state dwelling sales. To assist in these goals, the state's Development Act was amended in 2007 to streamline development assessment processes and link affordable housing targets (among others) to local government strategies and development plans. The Development Act now makes explicit reference to affordable housing.¹³

6.17 The South Australian Division of the Planning Institute of Australia explained that the affordable housing target:

...is currently being embedded into planning policy, with the introduction of policy modules to provide for 15 per cent affordable housing in major developments. Planning policy that encourages the development of affordable housing is also to be embedded within development plans...The way that we see housing affordability is that it is around not just the price of the dwelling or how much rental it attracts but also other issues that need to be taken into consideration concerning the longer term affordability of that accommodation. That relates to housing being in reasonable proximity to people's employment or employment opportunities, access to public transport and other sorts of services, such as schools, hospitals, shops et cetera...Appropriate types of housing and diversity of housing to meet the different needs of people and targeting products that also meet different sectors of the market, particularly some of the higher needs groups,

11 Professor T Burke, *Committee Hansard*, 24 April 2008, p. 27. See also Gurran (2008).

12 Mr A Pisarski, *Proof Committee Hansard*, 7 May 2008, p. 75.

13 South Australian Government, *Submission 88*, p. 3.

including first home buyers, migrants, retirees, people with disabilities and other sorts of people, are all key considerations in affordable housing.¹⁴

6.18 Asked to comment on perceived concerns among residents in outer urban developments that the affordable housing requirement would attract so-called 'poorer and probably more undesirable' residents, the Institute responded:

Effectively trying to mix up affordable housing, which is not necessarily high needs but rather people who do not earn as much income and who are struggling to buy a house, makes more sense than concentrating them all together...

...the rules the local council uses to assess whether or not an affordable housing proposal should be approved should envisage whether or not, in principle, it is appropriate—close to shops, train stations and that sort of thing. Whilst there may be angst from some of the locals about affordable housing bringing down the neighbourhood, the actual rules should envisage that the social mix where affordable housing is proposed is appropriate. People should have a house.¹⁵

6.19 The ACT government requires that 15 per cent of all new greenfield developments must be affordable housing stock, based on new planning regulations which specify smaller compact blocks.¹⁶ As they elaborated:

...we are looking at housing in the \$200,000 to \$300,000 bracket and we are also targeting land in the \$60,000 to \$120,000 bracket, whereas previously it would have been very difficult to find a block under \$150,000 in Canberra.¹⁷

6.20 The ACT government owns all greenfield land and sells it to developers with an explicit requirement for a housing mix. The committee heard that smaller, more affordable homes on smaller blocks have been embraced by the market:

I am aware of one of the early estates which is currently running at, I think, 38 per cent in that range. If the developers choose to go there, it is a minimum requirement and many developers are in fact finding that it is a market that they want to target more aggressively. It is fair to say that the development industry was fairly wary of this when it was introduced, but in fact we are now being told that the compact blocks and affordable end is the fastest seller in Canberra at the moment.¹⁸

14 Ms K Kelly, *Proof Committee Hansard*, 28 April 2008, p. 32.

15 Mr D Bailey, *Proof Committee Hansard*, 28 April 2008, p. 34.

16 ACT Government, *Submission 75*, p. 8.

17 Mr G Tomlins, *Proof Committee Hansard*, 7 May 2008, p. 16.

18 Mr G Tomlins, *Proof Committee Hansard*, 7 May 2008, p. 18. The submission by the Village Building Co. referred to their success in selling affordable houses within new developments; *Submission 82*.

6.21 In New South Wales, an attempt at inclusionary zoning at Green Square was set back by a court ruling that affordable housing was not a valid objective under planning legislation. Subsequent amendments now allow for it.¹⁹

6.22 In addition to state and territory governments, some councils are also actively working to ensure there is a diversity in new housing developments. The Brisbane City Council noted that:

A master plan was developed for Rochedale and that emphasised it as being an urban community, not a suburban residential estate...some of the key features are that it has a town centre and zonings for denser residential development and mixed use development adjacent to the town centre; it has provisions for denser development along some of the main access routes, which will be the main public transport access routes; and it has some quite high environmental standards for the more normal subdivision of residential lots outside that. That had some resistance at the start because people were saying that that location—some 20 minutes from central Brisbane—should not be looked at to provide units. But now it is seen as quite sensible.²⁰

6.23 The manner in which the careful design and provision of infrastructure to support community life in regional centres can play a key role in reducing the pressures on our sprawling cities through targeted regional development policies is discussed in more detail in Chapter 11.

6.24 There are specific provisions to encourage affordable housing within developments:

...we give some small additional floor space and some relief from council charges if the developer includes, within their development, units for affordable housing, and they covenant them for 10 years. Our experience has been that we have that 10-year limit and after that it will revert to market housing. So our impact is quite limited, but that is what we are trying to achieve in these areas.²¹

6.25 Brisbane City Council has also eased restrictions on high-rise developments in parts of the city to provide another form of housing.²²

19 Gurrans et al (2007, pp 33–34).

20 Mr M Papageorgiou, Brisbane City Council, *Committee Hansard*, 14 April 2008, p. 18. Similarly, the Geelong City Council adopted a 'housing diversity strategy' in July 2007; Mr C Brenton, *Committee Hansard*, 23 April 2008, p. 24.

21 Mr M Papageorgiou, *Committee Hansard*, 14 April 2008, p.18.

22 The Council voted unanimously in May 2008 for greater heights and densities in West End, Fortitude Valley, Woolloongabba, South Brisbane and the Kurilpa precinct. The Lord Mayor indicated he envisaged towers of around thirty stories along the river; *Courier-Mail*, 23 May 2008.

6.26 Campbelltown City Council requires developers to include a proportion of single bedroom dwellings in developments as one way of encouraging provision of some affordable housing.²³

6.27 Developers often object to such mandatory policies on the grounds that they are building uniform housing because that is what the markets demand. In some cases there was evidence from other sources supporting the developers' views. For example, in Campbelltown in western Sydney the committee heard evidence that, despite development approval being given for higher density housing (apartments) close to the railway line, there had been little uptake by developers, investors or buyers:

You can buy a house for less than you would pay for a two-bedroom apartment. I do not think the railway station and the access to the city figure in our purchases. In Ashfield or Burwood or those sorts of middle ring or inner ring suburbs, it is good to get a two-bedroom apartment... That market has not struck us yet, and it is going to be a while before it does, I think... You will see when you come into the area that there is one major high-rise that still has a big crane over the top of it. It has about 170 apartments in it. They are really struggling to sell them. It is not working at all.²⁴

6.28 Other witnesses suggested that there was a market for smaller, more modest, homes but that developers were not providing such products because of an (often unfounded) belief that they would not sell:

We face the problem that, if you ask the development industry about building a greater diversity of housing, they say there is no demand for it... Part of the reason for no demand is that the demand in most areas has not actually been tested. If you keep building the same product and do not offer the consumer a diversity of products so that you can find out whether there is demand, you actually do not know.²⁵

6.29 There is some evidence, however, that some developers are providing smaller, more compact housing on the periphery of capital cities. The City of Casey Council in south-east Melbourne told the committee that in a recent new release area in Cranbourne North:

...demand for lots at the rate of \$150,000 per lot and in the order of \$250,000 for houses is dropping, and people are opting for a more affordable product. In growth areas that means a smaller lot typology—smart blocks, with less of a building footprint... We are very interested in housing diversity, and that is the key to any sustainable community—allowing for all types of housing and all types of people in those houses to downscale or upscale housing locally so that you have some integrity and continuity of the community.²⁶

23 Cr Julie Bourke, *Submission 63*, p. 1

24 Mr P Tosi, Campbelltown City Council, *Committee Hansard*, 3 April 2008, p. 30.

25 Professor T Burke, *Committee Hansard*, 24 April 2008, p. 22.

26 Mr L Hodgetts, *Committee Hansard*, 24 April 2008, pp 7–8.

6.30 The UDIA also supported the idea that people are willing to live in a modest size dwelling, if it is more affordable:

...I think people are already adjusting the size of the dwelling they want to live in. As we are seeing the demographic bubble of baby boomers, who are very much the 'move up house' generation of the last decade or so, move through the demographics, I think we are seeing smaller households, people with one or two children, actually quite happy to have a more modest sized dwelling. I think the short answer to your question is that expectations will manage themselves, depending on what people can afford.²⁷

6.31 The committee did hear some interesting suggestions from developers to improve affordable housing. The Western Australian Division of the UDIA offered the following two suggestions:

The first is to encourage small dwellings in medium-density development by changing the planning controls to be based on plot ratio and height rather than dwellings by hectare. This would encourage more small dwellings on each development site. The second point...is to provide a land tax rebate for investors which would involve dwellings under, say, 120 square metres. This would encourage developers to build smaller houses to sell to investors, who would then rent them out...This scheme could also be complemented by a stamp duty rebate to investors who purchase dwellings under 120 square metres for rental purposes.²⁸

6.32 Ballina Shire Council are encouraging 'adaptable' housing. They explained:

...adaptable housing, that is housing for which the initial design of the building allows the structure of the building to change over time, with minor internal renovations. This may involve allowing the structure of the dwelling to change, relatively easily, from a four-bedroom family home, to two two-bedroom units (and possibly back again) as the needs of the community, and the occupants of the dwelling, change over time. This requires forethought in the design of the building, with regard to access, plumbing, wiring, bedrooms, storage areas, private open space and convertible spaces (for additional kitchens and bathrooms). The potential benefits associated with adaptable housing include cost savings (thereby increasing the opportunities for low income earners to enter the market) and flexibility for private rentals, reduced environmental impact from construction (and the use of resources) and flexibility in meeting the community's future housing needs. Adaptable housing can also avoid the over-occupancy of dwellings, allowing existing residents to stay/age in

27 Mr M Scott, Urban Development Institute of Australia, *Committee Hansard*, 1 April 2008, p. 73.

28 Mr V Marcelino, *Committee Hansard*, 8 April 2008, p. 60.

place, whilst downscaling the amount of space needed and providing an additional source of income through rental of the additional unit.²⁹

6.33 There are also substantial planning challenges if a more diverse housing mix is to be sustained. The committee notes criticisms that Australia's housing and planning policies are poorly integrated and that state and local governments' planning systems have offered very little by way of concrete action on affordable housing. Both points have been emphasised in evidence from academics:

...the need to think about how we integrate our planning policies and our housing policies in a way which we have not done so far. Housing policy is seen as a box over here, planning is seen as a box over there—run by other people—and I think we have to move towards a system which really integrates the two...In the postwar period, housing policy was seen as a way of delivering urban growth. It was a deliberate planning policy. In a way, we have lost that linkage because we believe that the market will deliver. I think we need to understand that the market needs to be assisted to deliver in some places. It certainly has not delivered affordable housing outcomes that have been appropriate.³⁰

For some reason the planning sector itself in Australia—and I will be the first to admit this, as a planning academic—has been quite reluctant to accept that broader policy objective of housing affordability as well as the specific policy objective of maintaining and creating opportunities for new housing that is specifically affordable to lower and moderate income earners. Australia is actually quite out of step with international practice in that regard. Most cities of the United States, most regions of the United States, many parts of England and across the United Kingdom accept this very symbiotic relationship between spatial planning policy and affordable housing.³¹

Conclusion

6.34 The committee contends that there is a need for Australia's planning frameworks to set a target for affordable housing. It acknowledges the initiatives of the South Australian and ACT governments in this regard. Any target should be properly integrated within state and local governments' planning and housing strategies. New stock of affordable housing must be carefully planned and integrated into wider residential developments. Finally, the committee highlights the commercial success of several smaller, more compact and cheaper housing designs. It encourages developers to continue testing these market opportunities and urges state governments to consider incentives for developers to do so.

29 Ballina Shire Council, *Submission 72*, pp 4–5. A similar approach is being adopted in the new Melbourne suburb of Williams Landing which will encourage 'modular housing' where couples could add rooms to the house as their families grow; *The Age*, 1 May 2008, p. 8.

30 Professor B Randolph, *Committee Hansard*, 2 April 2008, pp 40 and 46.

31 Dr N Gurrán, *Committee Hansard*, 2 April 2008, p. 40.

Recommendation 6.1

6.35 The committee recommends that state and territory governments introduce enabling legislation for inclusionary zoning to require affordable housing in all new developments, including a proportion of social housing.

Recommendation 6.2

6.36 The committee recommends that the state and territory governments encourage and promote the design and construction of adaptable housing which facilitates access improvements for the elderly and disabled and allow a larger house to be converted into smaller, separate units.