

Planning and affordable housing in Australia, New Zealand and England: common culture; different mechanisms

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Abstract This paper compares approaches to planning and delivery of affordable housing across England, Australia and New Zealand. While all three nations began with a common starting point—early British town planning legislation—underlying differences in urban regulation, property rights and housing provision soon emerged. However, signs of convergence have lately re-appeared, as all three countries have responded to affordable housing shortages by exploring new strategies to boost supply through the planning system. In the tradition of comparative housing research, this paper examines these strategies in the context of each country's particular historical, socio-cultural, governance and urban planning frameworks. Our analysis shows how differences in planning systems and approaches to housing assistance can delimit opportunities to secure new affordable homes, particularly in the context of increasing land values. Effective delivery of affordable housing through the planning system depends on consistent and enforceable policy articulation, government commitment, a mature affordable housing sector, and particular market conditions.

Keywords Affordable housing · Comparative housing research · Inclusionary zoning · Land use planning · Value capture

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1 Introduction: The research question

This paper compares approaches to planning and delivery of affordable housing across England, Australia and New Zealand. While all three nations began with similar systems—early British town planning legislation—underlying differences in urban regulation, property rights and housing provision soon emerged. Signs of convergence have lately reappeared, as all three countries have responded to affordable housing shortages by exploring new strategies to boost supply through the planning system and value capture. This paper examines these strategies in the context of each country's particular historical, socio-cultural, governance and urban planning frameworks. The first part of the paper sets our framework within this broader paradigm of comparative housing research and, more specifically, the literature on planning for affordable housing. We then introduce the three nations—outlining key population and housing trends and sketching the ways in which urban and housing policy frameworks have evolved over time from a common starting point to quite different models. Finally we look at how the changing economic environment is modifying priorities and perhaps generating some convergence in ways forward.

2 The emergence of inclusionary housing as a policy tool

Australia, New Zealand and England are bound by a common culture with similar political, legal and administrative systems. In particular the three countries have experienced more than a century of political and professional transfer—ideas, policies and people continually flow between them. The three countries are at similar stages in economic development, all are heavily urbanized and all have well developed and long standing land use planning systems. It comes as a surprise therefore to discover that, despite similar approaches to urban regulation in the early years of the twentieth century, planning systems in the three countries have developed in very different ways.

In all three, there has been growing emphasis on using land use planning to support affordable housing as well as concern about planning constraints on new housing supply more generally (Barker 2004, 2006; NHSC 2010; Pretty and Hackett 2009; DPMC 2007; DBH 2010; Parliament of Australia 2008). The idea of using planning to generate affordable housing entered the political mindset in the late 1980s/1990s, but while the problems were similar, both the evolution of policy and its success differed greatly. In England the planning system was modified rapidly to support affordable housing provision, while in Australia and New Zealand attempts have proved far less successful. However, in the face of the greater economic stress of the last few years, we see some signs of convergence. In all cases this has taken place against a backdrop of concern about the more general relationship between housing and planning.

In the tradition of comparative housing research, this paper examines these differing experiences in the context of each country's particular historical, socio-cultural, governance and urban planning frameworks. Our particular focus is on how differences in both planning systems and the provision of housing assistance have delimited and enabled opportunities to secure affordable homes during processes of urban development and change. In linking planning to housing, the introduction to this special issue identifies all three countries as having dualist rental markets and discretionary planning systems. Our view tends to a continuum rather than distinct categories. In the context of planning, the three countries are on a spectrum with New Zealand perhaps having the most formal system and an overriding emphasis on managing the environmental impacts of

development. Australia more obviously mixes a legally binding zoning system with discretionary assessment powers and the potential for negotiation. At the other end of the spectrum, England has established spatial planning expectations through a system of local development frameworks but allocates development entitlement through individual planning permissions issued after a merit-based assessment of proposals for each site. With respect to housing, all three countries have submarket rental sectors, of different sizes, which serve distinct groups. Importantly all three have at times placed emphasis on mixed income and tenure communities with opportunities for affordable housing across high and lower value locations so that, at a spatial level, the dualist story does not hold so clearly. It is how these different elements interact that we wish to explore in this paper.

3 Comparative housing studies and planning for affordable homes

Comparative housing research can offer new insights about housing systems and the impacts of policy interventions to common problems (Golland and Oxley 2004). However, differences in governance structures, policy orientation and institutional arrangements, as well as unique factors of history, geography, culture and socio-economic composition can lead to considerable diversity in housing systems and outcomes. Identifying these contextual differences enables ‘conceptual equivalence’, so comparisons of objectives, interventions, and results are contextualized for valid analysis (Golland and Oxley 2004; Milligan 2003).

Comparative studies on planning for affordable housing are limited, with three recent exceptions: a cross national study of affordable housing policies in the USA, Canada, Ireland, France and Spain (Calavita and Mallach 2010); another comparing approaches in North America, the UK, Ireland, the Netherlands and Australia (Gurran et al. 2008); and a third looking at policy outcomes in Australia and England (Gurran and Whitehead 2011). The majority of research and literature on planning and affordable housing tends to focus on particular models established within specific jurisdictions (particularly within the USA and the UK). Across these models, the term ‘affordable housing’ refers to homes at submarket prices or rents for low and moderate-income groups.

There is a long literature reviewing approaches to affordable housing inclusion in the USA, particularly ‘inclusionary zoning’ (requirements that all specified development within a particular zone contribute towards affordable housing) (Calavita and Grimes 1998; Calavita and Mallach 2010; Meltzer and Schuetz 2010); the related use of ‘linkage fees’ to offset the loss of, or need for, low cost housing; and ‘fair housing’ laws which seek to ensure that local jurisdictions provide sufficient opportunities to house low income households (Merrill and Lincoln 1993; Cowan 2006). In the UK an extensive body of work has explored the use of negotiated planning agreements for affordable housing inclusion (Crook and Whitehead 2002; Whitehead 2007; Monk et al. 2005); and enabling access to sites in rural areas for low cost homes (Satsangi and Dunmore 2003). Other nation-specific contributions include the system for securing affordable homes in new housing estates in the Republic of Ireland (Norris 2006) and experiments with inclusionary zoning and other pilot schemes in Australia (Williams 2000; Beer et al. 2007; Gurran et al. 2008; Davison et al. 2012).

Different urban and development systems are significant in understanding opportunities to secure affordable housing in new development. For instance, in the Netherlands, the close historical connections between urban development, local planning, and housing provision through social housing associations (Louw et al. 2003; Milligan 2003)—often

supported by municipal land development (de Kam 1998)—reflect a set of quite specific geo-political conditions. Similarly, the Hong Kong government’s retention of both land ownership and development rights has reduced the need for planning regulation directly to manipulate the provision of affordable supply while supporting the development of mixed communities (Chiu 2007). In the USA, a tradition of private sector land and housing development and an emphasis on legal development rights and obligations has supported indirect government intervention in affordable housing protection and procurement, where permitted, in a number of the States (White and Allmendinger 2003).

Thus the literature shows clearly how different institutional and legal frameworks generate very different instruments and outcomes. In this paper we choose three countries with their common history but divergent housing policy and urban planning, to bring out some lessons of what works and why and to look to future potential.

4 Housing and urban policy characteristics in England, Australia, and New Zealand

As former British colonies, Australia and New Zealand share many cultural similarities with England, and have inherited many legal and administrative traditions. Nevertheless, developments have often been very different.

Structures of government in England and New Zealand are similar—with both organized around a unitary system defined by two main tiers—central (national) and local government. Australia’s federal system of government consists of a central Commonwealth government, eight States and semi-autonomous Territories, and a relatively weak local government sector. Housing policy emanates from central government in England and New Zealand. In Australia the Commonwealth government funds housing assistance for the States, but has only an indirect role in urban policy and planning.

England is by far the most populous nation (Table 1). While larger in area, Australia and New Zealand have much smaller overall populations, which tend to be spatially concentrated around a small number of primate cities (Auckland and Christchurch in New Zealand, and the eight State/Territorial capitals in Australia).

The three nations now have similar rates of home ownership and rental tenure, with 68 % of Australians owning or purchasing their home, compared with 66 % in England and 64 % in New Zealand (Table 2). The most striking difference in terms of tenure is the

Table 1 Selected characteristics, England, Australia and New Zealand

Country	Population (millions) 2010	Household size 2010	Annual household growth projected 2008–2033	Annual dwelling growth rate (% of total stock—average 2000s) (%)	% of households receiving housing-related assistance 2010 (%)
England	53.1	2.4	232,000	0.7	25
Australia	22.4	2.6	163,000	1.6	17 ^a
New Zealand	4.3	2.6	21,190	1.2	22

Sources: (Australia: ABS 2010, Tables 10, 13A; ABS 2009, Tables 7, 8; England: DCLG 2010, Live Table 517; New Zealand: DBH 2010)

^a Excludes subsidies for home-ownership

Table 2 Housing tenure: England, Australia, and New Zealand, 2010/11

Country	Home-ownership (%)	Private rental (%)	Social rental (%)
England	66	17	18
Australia	68	24	4.5
New Zealand	64	21	5

Sources: (Australia: NHSC 2010, New Zealand: DBH 2010, England: DCLG Various years)

relatively large social rental housing sector in England (17 %) compared to that of Australia (4.5 %), and New Zealand (5 %).

Household growth has increased in all three countries, but housing supply has not kept pace particularly since the turn of the century. The annual shortfall in housing completions in England was estimated by the National Housing Planning and Advice Unit (NHPAU) at between 110,000 and 130,000 p.a., double current housing production (NHPAU 2009). In Australia forecasts suggest that the annual deficit may be around 26,000 dwellings per annum, resulting in a cumulative gap of 640,600 by 2029 (NHSC 2010). In New Zealand, the estimated shortfall of 16,581 dwellings relative to household growth over 2009–2011 is projected to fall slowly and to achieve a small surplus of 2,300 dwellings but only by 2031 (DBH 2010).

Affordability is also a major issue in all three countries. One important indicator has been the decline in the rate of home ownership. In New Zealand the rate of home ownership dropped 4 % in the period 1996–2006 and is projected to fall a further 5–62 % by 2016, as younger households defer first home purchase (DBH 2010). In England the drop has been 4 % over the period 2003–2010. In Australia the overall rate of home ownership has remained fairly stable since the early 1970s, but the numbers of younger people entering home ownership (25–34 years) dropped by 10 % between 1991 and 1996 and have never recovered (Yates 2008).

Projections in England suggest that around 25 % of households expected to form over the next decade will need some form of assistance (Holmans 2012). Declining availability of social housing has exacerbated affordability pressures in Australia and New Zealand. In New Zealand, numbers of households in social housing declined from 75,819 in 1996 to 66,588 in 2010 (DBH 2010), and in Australia, from around 400,000 in 1996 to 391,000 in 2006 (NHSC 2010). Long-term renters with no other opportunities have placed increasing pressure on Australia's private rental sector, resulting in an estimated shortfall of nearly 500,000 affordable rental dwellings (NHSC 2010).

5 Planning as facilitator of housing: three phases pre 1990

5.1 Phase 1: pre-world war 2—a period of similarity

The importance of the early twentieth century lies in the extent to which planning and housing were linked through the complementary policies of ensuring land availability and determining minimum standards within a fundamentally market environment. In England, the Garden City movement concentrated development in well-defined areas usually on public land. Support for housing supply included tenure neutral supply subsidies as part of the 1919 *Addison Act*—to provide homes fit for heroes—but the emphasis was on the move to suburbanization for working households. In Australia the urban reform movement gained momentum after Federation in 1901, influenced by ideas spreading from the UK and the United States (Wright 2001). However formal town planning legislation was not

introduced until the late 1940s. Housing assistance was made available but it was concentrated on providing loans for homeownership rather than subsidies to supply or to poorer households (Jacobs et al. 2010). Although the settlement of New Zealand was also strongly influenced by British notions of efficient urban layouts and the Garden City movement, private property rights were dominant. The 1926 *Town Planning Act* was based on zoning (Memon 1991), providing a high degree of certainty to private property owners (Ferguson 1994). Housing assistance in the form of land as well as loans for both rent and purchase addressed housing needs but only for workers and their families in urban areas.

5.2 Phase 2: the growing role of the state in providing housing and land

The post-war period saw increased state intervention in all three countries (Table 3). In many ways New Zealand was in the lead, with 14 years of Labour government from the mid-1930s and a zoning-based land use planning system in place, large scale state provision of housing occurred with little local government involvement. The government also reintroduced a state lending scheme for first-time owner-occupiers purchasing newly constructed houses, thus encouraging eligible families to move to the newly developing suburbs. This policy combination, of construction of state rental housing and the provision of subsidised loans for purchase continued until 1992, with variations in funding levels and different emphasis on support for purchase versus rental depending on the political complexion of the government of the day (Ferguson 1994).

In post-war Britain, political power shifted strongly to the left. The 1947 *Town and Country Planning Act* nationalized all development rights and heavily taxed increases in land values. Local authorities had powers to organize development through local development plans and responsibility to allocate enough land for all types of housing including affordable housing. They also had large land holdings. New Town Corporations (set up under the *New Towns Act 1946*, with both ownership rights and planning powers) led large-scale development programmes. These provided housing and infrastructure but also the necessary jobs and services. As a result local authorities and new towns played a core role in provision, with around one half of all new output concentrated in the subsidised local authority sector until the early 1970s.

In Australia, the catalyst for affordable housing provision was the first *Commonwealth State Housing Agreement* in 1945, which included loans to the states for public rental housing construction, contingent on putting in place state legislation for town and country planning and slum clearance initiatives (Gleeson and Low 2000). The planning systems reflected principles of both the British approach—assigning development rights through the process of planning permission—and the American tradition—establishing legally enforceable categories of land use and development standards. The private housing and development industry boomed—with new housing supply exceeding household formation rates until the late 1970s—reinforcing the public sector’s passive role of facilitation and regulation through zoning and limited public expenditure on infrastructure (Milligan 2003). This approach limited opportunities to secure additional community benefits through the planning and the development process, compared to more direct models of public sector funding and development.

5.3 Phase 3: privatisation and reductions in public spending

In England the 1977 *Housing Policy Review* linked housing and planning through a projection of housing requirements both overall and for social housing thus determining both

Table 3 Developments in planning and housing intervention

	England	Australia	New Zealand
Core town planning legislation	1947 <i>Town and Country Planning Act</i> nationalized development rights. Required planning permission covering use, density, design etc. From 1990 ‘affordable housing’ a material consideration in planning permission	1949 on—State/Territorial legislation, Legislation covers plan making, land allocation (zoning with permissible uses) and development controls. Merit assessment for significant/non conforming developments. Limited, varying capacity to consider affordable housing	1953 <i>Town and Country Planning Act</i> required all LAs to undertake zoning-based land use planning. The <i>Resource Management Act 1991</i> introduced environmental effects-based planning usually based on zones and assessment of environmental effects. ‘Affordable housing’ not specified
Subsidy to housing provision	From nineteenth century— from 1919 to 1947 tenure neutral; post war subsidies to LAs and then from 1980s to independent social landlords	Taxation subsidies and grants for home ownership Tax credits for private investment in rental housing provision from 2009	Subsidised home purchase loans for families with dependents until 1990s No capital gains tax on first home
State housing provision	From nineteenth century but massive expansion from 1947 by LAs and New Towns—around 50 % of output to 1970s Right to buy and transfers to independent landlords from 1980s	From 1949, funds to States/ Territories for provision of rental housing. Small proportion of total stock (up to 6 %) Various right to buy schemes from late 1950s, transfers to community providers during 2000s	From early twentieth century with major period of state house construction from 1935 to 1949 Increasing provision continued until early 1990s Sales of higher value dwellings in 1990s
State lending/ home purchase support	Relatively little until 2000s	First time buyers/new housing grants. Increased in 2000s	First time buyers/new housing until 1990s
Affordable housing through planning system	From 1990 <i>Town and Country Planning Act</i>	Limited schemes through state/local planning legislation NSW (from 1996); South Australia (2005); ACT(2009)	Discussed in the <i>NZ Housing Strategy 2005</i> , and formed the basis for a short-lived <i>Affordable Housing Act 2008</i> . Applied in QLDC

Source: The authors

LA local authority, NSW New South Wales, ACT Australian Capital Territory, QLDC Queenstown Lakes District Council

the public finance and land requirements to meet housing needs (DOE 1977). Even so, the emphasis shifted to privatisation through both the ‘right to buy’ (introduced in the 1980 *Housing Act*) and the transfer of new build subsidy and much existing local authority housing to independent Housing Associations (HAs). Local authorities however retained all responsibilities to make adequate land available and to accommodate homeless households.

In Australia public rental housing was also declining, although from a much lower level, and was increasingly targeted towards low-income households. The move was towards

demand side subsidies to support the lowest income households in the private rented sector through the Commonwealth Rent Assistance programme (AIHW 2011).

The biggest changes came in New Zealand in the 1990s. First, the National-led government, raised state sector rents to market levels, introduced a limited accommodation supplement, and sold off vacated state housing in higher value locations. In 1999 the Labour-led government reversed this approach, re-introduced an income related rent for the state rental stock, invested in new construction, and established a Housing Innovation Fund to encourage local councils and the community housing sector to provide different types of housing. Meanwhile, new planning legislation focused on the external effects of development on the natural and physical environment; affordable housing was not seen as a relevant matter for local plans.

6 A new policy turn: addressing the need for affordable housing through the planning system

There were three main reasons for the growing emphasis on using planning to facilitate the provision of social and affordable housing over the last two decades: spatial residualisation; the difficulties of identifying suitable land; and the need to reduce the costs to government of providing housing assistance. Firstly, social housing had mainly been facilitated by the provision of publicly owned land and built by government-sponsored agencies with subsidy. In all three countries it was thus generally in the form of mono-tenure estates, although at very different scales. This housing was originally mainly for low-income employed households and to support local economic growth. But since the 1970s in all three countries the emphasis shifted to accommodating more vulnerable households, leading to residualisation and spatial concentrations of poverty.

Secondly, in all three countries the use of free or subsidised public land for housing has declined as Treasury rules have tightened. There therefore had to be other means of making affordable housing development affordable—either through the recycling of public housing assets or subsidy from other sources. Thirdly there has been the increasing problem of affordability, so a larger proportion of households, including lower income employed households, require some help with their housing costs. This in turn has led to increasing emphasis on a wider range of intermediate tenures which can provide for key workers and help support the local economy. Inclusionary housing policies can in principle address all three issues by requiring affordable housing in market developments. Our analysis of the experience in planning for affordable housing across England, Australia and New Zealand, highlights four factors influential in determining output over time. These include: the way the policy is specified and the government's commitment to that policy; the legislative framework in which the agreements are determined; the strength and nature of the organisations involved in providing the affordable housing; and perhaps most importantly the market conditions in which the policy operates. These factors have differed greatly between the three countries—and in Australia between the States—with very different outcomes. Table 4 compares the main attributes of the policies developed in the three countries, while Table 5 clarifies the processes by which affordable housing is delivered.

6.1 England: the inclusionary housing policy response

England most directly addresses the first three attributes. The policy operates through Section 106 (S106) of the *Town and Country Planning Act 1990* as amended by the

Table 4 Affordable housing and the planning system: policy attributes

Policy attribute	England	Australia	New Zealand
Mixed communities in objectives of legislation/national/state planning policy	<i>1990 Town and Country Planning Act</i> favours on-site affordable housing provision	Mixed community reference in some state planning laws, and policy objective across all jurisdictions	No references in national planning law Objective in targeted HNZC regeneration policies
Affordable housing “planning matter”/ “material consideration” for planning	Material consideration under <i>1990 Town and Country Planning Act</i>	Affordable housing may be considered under limited circumstances in NSW, ACT, QLD, WA, SA not in Victoria, and Tasmania	2011 High Court ruling that affordable housing can be a planning matter under the <i>RMA 1991</i>
Development contributions (DC) to support local infrastructure (including social infrastructure)	S106 of <i>Town and Country Planning Act 1990</i> allowed a broad range of contributions to be negotiated including infrastructure and affordable housing. Community Infrastructure Levy (CIL) introduced in <i>Localism Act 2011</i>	Varying provisions across jurisdictions for fixed and negotiated contributions, very limited application to affordable housing	DCs are routinely applied—but not for affordable housing. QLDC has used stakeholder agreements for affordable housing
Development contributions to address negative ‘externalities’ (negative impacts associated with development)	As above <i>Localism Act 2011</i> introduces Neighbourhood Planning with some potential to compensate the local community	In NSW only, and generally applied to loss of low cost housing in certain circumstances	Financial contributions (under the <i>RMA 1991</i>) are routinely applied—but not for affordable housing Exception is QLDC
Planning legislation allows betterment capture	Not directly—but S106 and CIL involve negotiation based on financial viability given planning permission	In ACT only, as a charge when lease conditions specifying land uses are changed to permit higher development Negotiated contributions are not formally seen as betterment capture	Not currently available under the <i>RMA 1991</i> —as development rights are specified by zoning

Source: The authors

QLD Queensland, WA Western Australia, SA South Australia

Planning and Compensation Act 1991 which introduced a more formal local development plan process including the identified need for affordable housing. It also made the provision of affordable housing a ‘material consideration’ for the granting of planning permission (Crook et al. 2006; Whitehead 2007). S106 has three distinct housing objectives: providing the land for affordable housing; fostering mixed communities; and facilitating contributions, from developers and other stakeholders while ensuring that costs are borne by landowners out of betterment (Stephens et al. 2005). The proportions of social and affordable housing are negotiated on the basis of local needs and financial viability within the defined policy framework. The affordable housing element is transferred to independent social landlords who also mediate sales for any low cost homeownership.

Table 5 Processes for determining affordable housing requirement

	England	Australia	New Zealand
Negotiated agreement (voluntary)	Pre-1990 Act	In NSW, Victoria	In QLDC—stakeholder agreements
Negotiated agreement (mandatory)	Within the Local Development Framework which determines affordable housing requirements	In SA, ACT	In QLDC District Plan change
% of development value/scale (inclusionary zoning)	Locally determined Usually between 15 and 30 % of numbers of residential units, but can be higher	In certain redevelopment areas in Sydney, Perth, Brisbane SA (15 % target; but developer negotiates form of delivery)	In QLDC stakeholder agreement Varies included in Hobsonville (state agency development)
Rational nexus (i.e. development causes need for affordable housing)	Prior to 1990	NSW—in relation to offsetting the loss of low income rental accommodation	In QLDC District Plan change
Planning Incentives	Since 2010 per unit New Homes Bonus to local authority; higher rate for affordable housing	NSW (density bonuses), QLD (density bonuses and concessions), SA (density bonuses, used to offset cost of meeting mandatory requirement)	Density bonuses in <i>Affordable Housing Act 2008</i> (subsequently repealed) Potentially problematic under RMA because of environmental externalities approach
Retention	Social rental provision transferred to HAs for rental into perpetuity Shared equity funding recycled but no retention except leasehold	NSW state law (limited, Sydney application only) Some local councils have objectives around retention in local planning instruments	Some small-scale examples of shared equity (council pensioner housing and third sector provider), QLDC and Hobsonville

Source: The authors

The longstanding operation of S106 in England has depended on the unique specifics of the planning system in that the government owns development rights to land regardless of that land's ownership by private citizens. Every development must obtain planning permission, and local authorities may since 1990 accept or deny applications based on a commitment to affordable housing provision.

S106 was increasingly effective in supporting affordable housing during the growth years of the early 2000s. By 2006–2007 S106 had become the main way of achieving affordable housing, accounting for 65 % of all newly completed affordable homes (Crook et al. 2011; Crook and Monk 2011). During this period, developers accepted the affordable housing requirement because they expected house prices to rise during the development period. At the same time the mix between social and affordable housing (which appeared to have much lower costs to the developers and greater neighbour acceptability) shifted significantly to shallow subsidy low cost home ownership. The net result is that newly

constructed affordable homes are much more likely to be located in areas where there is also a demand for new owner occupied housing and to include a mix of social and affordable homes (Crook et al. 2011). These conditions have of course changed markedly since the financial crisis.

6.2 Australia: emerging inclusionary housing policy

In contrast to England, the Australian experience with planning for affordable housing largely reflects wavering government commitment, a constraining legislative framework, and an immature affordable housing sector. Prior to 2007, planning initiatives for affordable housing were limited to pilot inclusionary zoning schemes in redevelopment areas of Sydney and Perth, and some ad hoc local council schemes, including a density bonus and impact fees in some high value inner city areas. These delivered relatively limited affordable housing.

From the mid-2000s three elements came together. By the 2007 Federal election (which brought in the Rudd Australian Labour government), most states had enacted planning system reforms to support new housing supply (Gurran et al. 2009). Initiatives included affordable housing targets in South Australia and the Australian Capital Territory. By 2012, five Australian jurisdictions had set affordable targets (generally 15 %) (the ACT, the Northern Territory, Queensland, South Australia and Western Australia). With limited legislative power all, with the exception of South Australia, have relied solely on government owned or acquired land.

Secondly the hitherto nascent non-profit affordable housing sector grew from around seven active providers (managing about 1,200 dwellings in 2004) to more than 40 providers and a 220 % growth in stock by 2009 with some capacity to raise funds based on their own equity (Milligan et al. 2009).

Third, central government started to play a more positive role placing housing supply and affordability firmly on the national agenda. Initiatives included a National Rental Affordable Housing Scheme modelled on US low-income housing tax credits, to offer incentives for affordable housing development; and the Housing Affordability Fund which financed small planning and infrastructure projects. Responding to the global financial crisis, the Commonwealth's Nation Building—Economic Stimulus Plan included \$5.238 billion for new social housing 2009–2012, enough to fund over 19,000 new homes (Australian Government 2011). To facilitate projects, special purpose laws allowed existing planning processes to be bypassed. However, opportunities, particularly those secured through the planning system, have been undermined by government ambivalence towards affordable housing in the face of community pressure and strident industry opposition. For instance, in 2009, NSW introduced incentives for projects incorporating affordable rental housing, but these were curtailed following a change of government in 2011 (Davison et al. 2012).

South Australia's model operationalized through planning legislation in 2006 is the most obviously successful. Implemented locally when land is rezoned, the scheme requires 10 % of homes to be released at affordable price thresholds and a further 5 % offered to social housing providers. The programme is supported by a government mortgage scheme. Although initially using government sites, the model has gained traction, achieving over 630 units of affordable housing by late 2011 with a further 1,800 dwellings under negotiation (Davison et al. 2012).

In summary, a diversity of schemes in Australia demonstrate opportunities to include affordable housing across different points in the planning and development process—from

enacting controls for affordable housing contributions within planning instruments, through to voluntary negotiation for affordable homes during the development assessment process. However State and Territorial planning laws have heavily confined these opportunities.

6.3 Inclusionary housing initiatives in New Zealand

The first inclusionary zoning initiative in New Zealand occurred in Queenstown, a mountain resort community on the South Island with strong development pressures and the least affordable housing in the country. In 2004 the Council entered into a voluntary agreement with a local developer requiring 5 % of all residential sites created by the development to be gifted to the Council to be used solely for affordable housing provision. Thereafter a number of similar agreements were made between the Council and developers. In 2009 the Council adopted a district plan change requiring larger residential and commercial developments to contribute affordable housing. The plan change, based on linkage zoning, used a rational nexus approach to determine the amount of additional low-income employment generated by the proposed development, the likely additional demand for affordable housing, and the affordable housing contribution required from the development. Appeals based on the view that affordable housing is not a planning matter under the *RMA 1991* have been dismissed by the Courts. These two initiatives have generated approximately 200 affordable dwelling units (actual and pending developments) in the least affordable housing market in the country.

Central government (then Labour-led) noted the potential of inclusionary housing for addressing affordable housing shortages in the first national housing strategy (HNZC 2005). The *Affordable Housing Enabling Territorial Authorities Act, 2008* gave local councils the ability to require affordable housing contributions, following a housing market assessment. Unfortunately local councils found the requirements complex, costly and risky, and no government subsidy was provided. The only incentive for developers was a density bonus, which could potentially result in detrimental environmental effects running contrary to the objectives of the *RMA 1991* (Austin 2009). A National-led government elected in 2008, repealed the legislation during its first term. In a similar reversal of policy, the same government removed social and affordable housing requirements (instigated by the previous Labour-led government) on 1,000 dwellings in the development plans for Hobsonville (a state-agency development for close to 3,000 dwellings in Auckland) replacing them with 17 shared-equity houses for first-time purchasers.

7 Planning, value capture and affordable housing contributions

Finally we look at the extent to which affordable housing policies have been directly linked to value capture and therefore a means of cross subsidising affordable housing without direct subsidy. This has been most directly addressed in the English system which generates value by giving planning permission and then through contractual arrangements both transfers value and usually allocates land to affordable housing while maintaining the project's financial viability. While house prices were increasing rapidly, developers were able to absorb some of the costs of affordable housing contributions within the overall project budget at the same time as negotiating lower land prices. But as Morrison and Burgess (in their paper in this special issue) make clear, the nature and extent of the affordable housing contribution is to an important degree dependent on the buoyancy of the

market—and it is not clear how successful the approach can be in the light of the global financial crisis.

In Australia and New Zealand the reliance on value capture to support affordable housing provision is also far more limited, indirect and largely unacknowledged. Those Australian states that have some level of affordable housing contribution requirements support these through planning incentives (such as density bonuses) that increase the overall value of the development. These developments also often involve some publicly-owned land. The limited outcome in terms of affordable housing provision appears to be less the result of reliance on housing market performance and more an outcome of the low level of political support in the face of perceived local community opposition or development industry resistance.

In New Zealand how value is captured is also opaque. The QLDC affordable housing agreements with developers were linked to large-scale comprehensive development projects being put together in very buoyant market conditions. Rising house prices and implicit cross subsidy would have absorbed some of the costs of the affordable housing contributions but the scale and complexity of these developments makes value uplift difficult to track. As market conditions have stabilized developments have still proved profitable in this tourism-driven community. Looking to the future, Auckland Council, facing significant population increases, rising house prices and an opportunity to up-zone rural land for residential development has now signalled the potential use of value capture as a policy option, although as in Australia there may be wider community and development industry challenges to this approach.

8 Looking forwards: shifting pressures and planning reforms

8.1 England

For the first few years after the financial crisis, S106 together with direct subsidies has continued to be the main source of new output. Up front funding in particular has been necessary to ensure continued development and to kick-start shovel ready schemes. However as time goes on there has been growing pressure to renegotiate S106 agreements on the basis of financial viability. At the same time there are fewer new large schemes coming forward for development.

The new Coalition government has implemented a number of initiatives under the *Localism Act* and other legislation, which may reduce the amount of affordable housing that comes forward even when the economy improves. First they have put in place a new Community Infrastructure Levy (CIL)—initiated by the previous Labour government—enabling local authorities to levy a tariff to provide for a range of local infrastructure requirements which takes precedence over S106 (Monk and Burgess 2012).

Second, a new Affordable Rents regime puts pressure on HAs to increase rents to increase their capacity to borrow while assistance to new purchasers is now mainly in the form of equity mortgages and guarantees. At the same time, there is greater emphasis on bringing public land into use as an equity contribution to affordable housing (DCLG 2011; Williams et al. 2012). The latest policy announcements look to enable existing S106 agreements to be renegotiated downwards to allow schemes to be more profitable and to allow private landlords to play a more central role in rental provision (Montague 2012).

Some of these initiatives suggest that direct provision of public land will in part take the place of S106 as a means of ensuring new output at least in the immediate future. Even so,

the provision of affordable housing through the planning system, and the capture of benefits arising from obtaining planning permission for this purpose is likely to remain a central plank in housing policy.

8.2 Australia

The relationship between planning system performance and housing market efficiency remains high on the policy agenda in Australia, but the implications for inclusionary planning approaches are unclear. Although earlier policy commitments expressed by the Council of Australian Governments (COAG) included the need for states to establish requirements for affordable and diverse housing development (COAG Reform Council 2009), subsequent pronouncements have been far more equivocal, explicitly discouraging the use of inclusionary planning approaches (COAG Reform Council 2012).

Procedural reform continues across the states and territories, with little evidence to suggest that the latest reform agendas (announced by Queensland, NSW and Victoria) are including specific mechanisms of the kind enabled in South Australia. Yet the potential for leveraging opportunities secured through the planning system with the new financial incentives provided for private sector and non-profit investment in affordable housing provision has never been greater, with the National Rental Affordability Scheme beginning to gain momentum, and non-profit affordable housing providers gaining scale and development expertise (Gilmour and Milligan 2012). Whether the inclusionary model demonstrated in South Australia, and the growing capacity of the non-profit sector, will align to support a wider acceptance of the potential role of planning in supporting affordable housing supply, remains to be seen.

8.3 New Zealand

With a National-led government elected in 2008, the policy agenda in New Zealand has focused on reforming the planning system to increase the competitiveness of cities (MfE 2010; Urban Technical Advisory Group, UTAG 2010). Echoing Australia, the underlying assumption is that the planning system directly causes housing affordability problems, and that with fewer inconsistent planning decisions, reduced planning restrictions, lower development contributions and more greenfield sites, housing supply will increase and housing affordability improve.

Auckland, the largest city with one third of the country's population, underwent local government restructuring in 2010, from 8 councils into one council—the Auckland Council. In principle this will reduce planning inconsistency, making it easier for developers to operate across the city. However the *Auckland Plan 2012* retains a strong urban containment planning approach, utilising a rural urban boundary (RUB). And Auckland Council is considering betterment value capture, as land within the RUB is up-zoned and then developed, to contribute towards affordable housing provision.

The New Zealand Productivity Commission (NZPC)'s *Housing Affordability Inquiry* (NZPC 2012) made 35 recommendations around increasing land supply for new housing; simplifying and speeding up regulatory processes; and reducing complexity and uncertainty in planning. Whilst inclusionary housing was not considered by the NZPC, the government announced yet another policy change for the Hobsonville state-agency development reintroducing a significant inclusionary housing element, from requiring only 17 affordable dwellings for first-home purchasers to requiring 20 % of the nearly 3,000 dwellings to be priced for moderate-income ownership. Several state housing regeneration

projects are proceeding with the objectives of increased density, mixed tenure and mixed-income; and there are some small increases in funds for the community-housing sector. Labour (the current opposition party) has responded to these initiatives, considering them too small in scale, with two proposals: to make affordable housing an issue of 'national significance' under the *RMA 1991*, thus a 'planning matter'; and to utilise a revolving fund to finance the construction of 100,000 affordable dwellings over 10 years.

9 Conclusions

England, Australia and New Zealand began the last century with a common starting point—early British town planning legislation, and the socially progressive housing and communitarian ideas of modern urban planners such as Ebenezer Howard. However, latent differences in urban regulation, property rights, and housing provision soon emerged. England's *Town and Country Planning Act 1947* nationalised development rights and adopted a discretionary, merit based planning approach, while at the other extreme New Zealand went for a strict zoning approach and the Australian state based planning system also emphasised zoning but with rather more flexibility. The first enabled a strong commitment to addressing housing need and other community goals through the land use planning system while reliance in New Zealand and Australia on land use zoning as a means for development control limited the extent to which these community gains could be secured.

The availability of an affordable housing delivery infrastructure also explains differences in planning for affordable housing across England, Australia, and New Zealand. In England, the affordable housing sector was established through local authority investment again often on public land. This was effectively diversified into a strong non-government sector of Registered Social Landlords, which from the 1990s was able to deliver affordable housing on sites negotiated by local authorities through the S106 process. In Australia and New Zealand the private house building industry remained the main agent for housing provision although both often using public land to support affordable housing. To the extent that New Zealand has provided rental housing it has been done mainly through central government. In Australia this 'third sector' is only just emerging; but may hold significant potential in the future.

Since the privatisations of the 1980s and 1990s interest in using the planning system to support intermediate housing models for subsidized home ownership can be observed in all three countries, extending the successful tradition of privately built homes for owner occupation in Australia and New Zealand. Local communities and authorities may more readily accept home ownership than social rented housing, and it requires less upfront government subsidy.

Most importantly our comparative review of housing and planning approaches highlights the importance of political will. Fundamental to housing and planning policy in England has been an acceptance that planning has an important role to play in meeting housing requirements across the spectrum of need, together with a relatively strong and consistent government commitment to supporting the provision of such housing. In Australia and New Zealand, political interest in planning for affordable housing has been far more ambivalent, with overriding policy concerns focusing more on overall housing supply and the resilience of the private sector housing industry.

Finally, the three countries have experienced the changing economic environment following the global financial crisis to different degrees. Whilst priorities and policies have

shifted, the need for a major expansion of affordable housing remains common across all three. When looking to the future, all three countries already have policy experience with some level of affordable housing provision through the planning system alongside the use of public land and see both as a source of much needed support. If this alignment occurs, the political and professional transfer of ideas, policies and people between the three countries will have played a significant part.

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