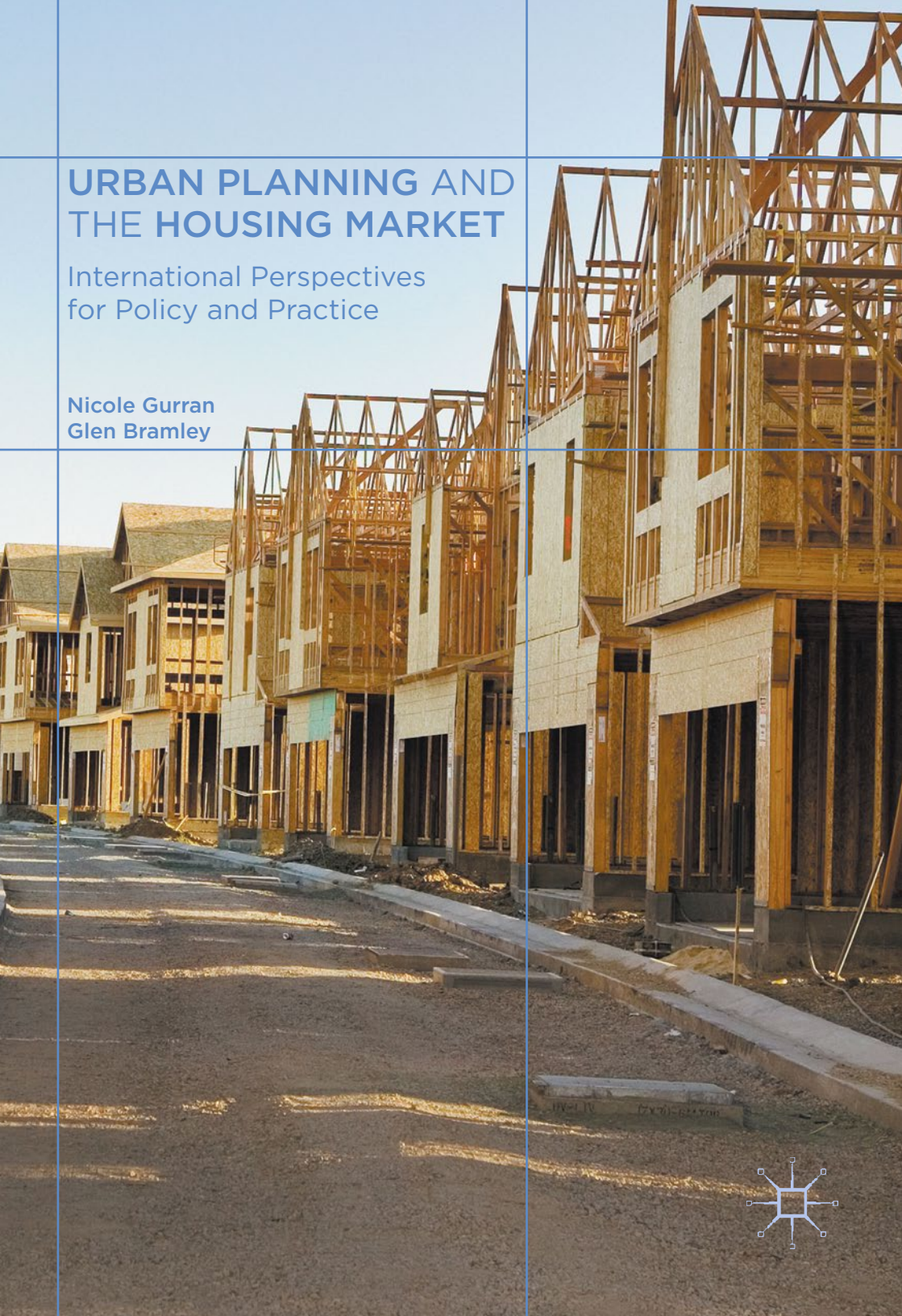


URBAN PLANNING AND THE HOUSING MARKET

International Perspectives
for Policy and Practice

Nicole Gurren
Glen Bramley



Urban Planning and the Housing Market

Nicole Gurrán • Glen Bramley

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Preface

This book was written during a dynamic period of global housing policy debate and analysis. The aftermath of the 2007/08 Global Financial Crisis (GFC) has prompted many countries to review national housing policy settings, often in the context of economic recession or fiscal austerity. Longstanding concerns about the role of the urban planning system in constraining housing supply and exacerbating price inflation under conditions of high demand remain unresolved in nations such as England and Australia and in particular cities and regions of the USA. But there are also questions about the extent to which the urban planning system can or should respond to the increasing demand arising from the so-called financialisation of housing and the role of planning in accommodating or even moderating speculative development pressures. While early twentieth century town planning was very much focussed on local housing need and demand, contemporary trends and pressures might seem to render the notion of place-based planning for housing as quaint and outdated. In a global housing market, the footloose demand of global investors might literally come from anywhere. So planners are told that cumbersome systems and processes (designed, however imperfectly, to preserve and enhance environmental and social amenities) are blocking new housing supply in the face of escalating demand, while local residents are accused of self-interest if they challenge development in their neighbourhood or surrounds.

In some cases these stereotypes of an inefficient planning administration and obstructive local constituency are probably true, more so in some countries than in others. But the stakes have become much higher in recent years, with housing an increasingly significant component of national and regional economic growth, on the one hand, and of personal wealth (or poverty), on the other. In this context the role of urban planning regulation in controlling the location and form of new housing is challenged, notwithstanding equally pressing imperatives for more socially and environmentally responsible development in the context of global climate change.

Our collaboration in writing this book reflects these tensions and an ongoing dialectic between an urban planner (Nicole) and housing economist (Glen) with somewhat different world views, influenced by different experiences. Questions about the role of urban regulation in exacerbating housing market pressures raise a series of research, teaching and policy problems. Urban planners and policy makers need a strong understanding of the housing market and the ways in which different types of policy interventions—including the planning system—might influence housing outcomes. It is equally important for planners and other urban policy makers to remain cognizant of the functions and limits of the planning system, particularly in a market-based economy where the private sector—rather than the government—produces the majority of new homes. Yet in many planning schools, coverage of housing policy and markets remains weak.

Similarly, while there seems to be a growing appetite for economists in government and elsewhere to engage with questions of city planning and the housing market, all too often the role and operation of planning systems appears overstated or misunderstood. Deep underlying differences between the operation of land use planning regulations and policy frameworks in different countries, and in the ways in which land and dwellings are produced and brought to market, are often swept aside in favour of conceptually simple but empirically questionable assumptions about the factors influencing housing demand and supply.

From an urban policy perspective, the planning system is intended to do more than simply regulate the quantity and location of new dwellings but rather should also deliver improved outcomes across a range

of measures—from coordinated infrastructure provision and increased certainty for future investors through to enhanced environmental quality and a socially inclusive urban realm. Since accessibility, amenity and even social diversity are all thought to enhance the value of urban and residential land, and indeed the economic vibrancy and competitiveness of cities, questions about the impacts of urban planning on the housing market, and what should be done about them, become rather more complex.

Finally, despite the rich and growing body of comparative research in housing studies, and to a lesser degree urban geography, there remains a lack of systematic, comparative work in the urban planning sphere. Perhaps this reflects the very pragmatic and applied focus that defines much planning scholarship, which is by nature a necessity, usually at the ‘pointy end’ of urban research—situated within particular places and administrative and policy traditions. So a planning student in England, Australia or America cannot assume that similar systems, processes and controls apply to development in Scotland, New Zealand or Canada. Even more confounding is that local plans and controls, as well as attitudes and approaches towards their implementation, can differ markedly between neighbouring jurisdictions, let alone at the regional or national scale. Generalisations are very dangerous for planning practitioners and researchers. Yet examining and conceptualising the ways in which planning and land use processes and rules diverge or converge are, we argue, critical to exposing the inherent mechanics of a particular system that have evolved in particular places and which may shape how urban planning intersects with the housing market on the ground.

Our intention is therefore to provide an accessible introduction to urban planning systems and housing markets—recognising the different processes and levers used by central and local governments to guide and control housing development in different countries. For urban planners and scholars, our aim is to explain and decode the workings of the housing system and market as a basis for more informed practice and research. Glen Bramley has worked extensively on the technical aspects of housing market analysis whilst Nicole Gurran has undertaken numerous projects with local and state governments on approaches to inclusionary planning. We draw on much of this material in the latter chapters

of the book. Both of us have also undertaken empirical research on the relationships between particular local planning settings and local and regional housing outcomes and we draw on this work in canvassing the much larger research effort in this growing field.

Overall we want to examine how theoretical ideas about urban planning and the housing market play out in real places. Thus, a large part of the book is dedicated to international cases, of Britain, the USA, Hong Kong/China, Ireland and Australia, selected to reflect a spectrum of familiar and not so familiar studies of how systems or urban governance and housing provision have evolved in distinctly different ways. Understanding these differences and the reasons for their evolution provides what we hope is the basis for informed policy learning and exchange.

Sydney
Edinburgh, UK

Nicole Gurrán
Glen Bramley
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Chapters 6 & 7

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1

Introduction: The Twenty-First Century Urban Housing Agenda

In mid-2012, America was treated to a new reality television series. The latest in the now ubiquitous reality TV genre to feature the housing market, 'Property Wars' followed a "new breed of prospector" ... "ready to stake a claim in the latest gold rush ... foreclosure options" (Sharp Entertainment 2012). According to the promotional blurb, "hot-shot real estate investors ... aim to win a quality house for pennies on the dollar" to be "flipped" for a potential profit of "tens-of-thousands of dollars, in a single day". In mining the misery of mortgage foreclosure whilst presenting a new wave of speculative housing investment as entertainment, 'Property Wars' surely hit a new low in exploitative television. Yet the programme scarcely raised an eyebrow and indeed went on to run a second series in 2013. Dubbed the "crack cocaine" of the reality genre (Hod 2013), real estate and home programmes have become increasingly addictive for ever growing audiences worldwide. In the UK, charismatic television 'couple' Kirsty Allsopp and Phil Spencer lead fussy house hunters around Britain ('Location, Location'), whilst 'Under the Hammer' (which reached its 19th series in 2015) follows the theatre of property auctions. In Australia, telegenic teams compete

for renovation profit on ‘The Block’, shedding tears of exaltation as sale prices exceed expectations by several hundred thousand dollars.

‘My Dream Home’ Versus the ‘Property Ladder’

Such programmes capitalise on the emotional highs and lows in the search for a dream home, the fantasy of relocation, the horror of renovation and thrill of a property windfall. But the underlying dramatic tension rests in the complex and competing values implicit in ‘house’ and ‘home’. Alongside food, shelter is a fundamental human need, with ‘households’ the building block of society, accommodated within homes, which in turn structure local neighbourhood units and contribute to the wider urban form. Our earliest memories, our foundational experiences, are in some ways contained within childhood homes, whilst our tastes, sense of identity and belonging are often reflected in the choices we make about where to live.

Economically, housing represents a large part of our expenditure, wealth and capacity to acquire more resources. Investing in housing offers a significant source of ongoing revenue and/or opportunities for major capital gain. Opportunities for education and employment are at least partially determined by our address. The status conferred by a particular suburb or type of residence means that homes are also a ‘positional’¹ good as well. These multiple social and economic meanings of ‘house’ and ‘home’ help explain why residential development—perhaps more than any other process of urban change—has become such a complex and problematic area of city and regional planning.

Across most of the world—from the wealthy ‘superstar’ cities of London and New York to the rapidly growing megacities of Asia and Latin America—housing provision and access is an intractable urban problem (UN-Habitat 2015). Contemporary pressures seem far more complex than those faced by the modern town planners of early twentieth century Britain and America, who sought to optimise the physical design and layout of new homes and civic buildings in harmony with

¹‘Positional’ goods are valued, in part, by their relative desirability to others, in addition to utility value (Frank 2005).

the natural landscape (Hall 1996). Nor is the housing problem purely about the quantity of new dwelling units, which was the challenge facing Europe, Britain, the USA and Australia in the post-war baby boom of the 1950s, or more recently, the phenomenal economic growth and urbanisation of nations in the developing world. According to UN-Habitat (2015), around a quarter of the world's urban population endures inadequate housing conditions. Whilst problems of slum housing, overcrowding and inadequate sanitation remain concentrated in the developing world, severe affordability problems plague the so-called richest nations as well. More than 11 million households in America pay more than half of their income on rent (JCHS 2015) whilst in England a fifth of all households (4.8 million) reside in dwellings which fail the 'decent homes' criteria (Department for Communities and Local Government 2015).

Thus, housing problems in the new millennium reflect a complex array of economic, social and environmental conditions, and deepening inequalities in access to housing and to housing related wealth. In some nations—and particularly those which are a focus in this book—these problems are legacy effects of twentieth century forms of urban development. For instance, inner city slum clearance initiatives of the 1950s–70s and construction of high-rise public housing estates in many Western nations led to social isolation and spatially concentrated disadvantage (Hall 1996). In the USA and Australia, the spread of low-density car dependent suburbia for the home owning middle class has contributed to a growing mismatch between the locations of homes and work, affecting labour force participation, and triggering health and environmental problems associated with car dependency, traffic congestion and air pollution (Brueckner and Zenou 2003; Forster 2006; Frumkin et al. 2004).

An increasing trend towards housing investment and second home ownership amongst higher-income earners (Paris 2009)—now popularised by the property buying television phenomenon—is countered by falling home ownership rates in many nations of the Western world, particularly in the years following the Global Financial Crisis (GFC) (Forrest and Hirayama 2015). For instance, owner occupation rates fell from 69.2 % (2004) to 63.4 % (2015) in the USA (Callis and Kresin 2015);

from around 69 % (2007) to 64.8 % (2014) in the UK; and in Ireland, from 80 % (1991) to 71 % (2014) (Eurostat 2015).

In its *Global Housing Strategy* UN-Habitat (2013) sets out a framework for responding to a series of problems ranging from the financial crisis and global recession to growing socio-spatial polarisation in urban areas, which have been exacerbated by: “insufficient urban planning to scale”, a “lack of coordinated housing policies ... to ensure the availability of diverse, equitable, adequate and sustainable housing options”; and ... “prevailing zoning regulations and policies that favour single home-ownership solutions over other tenure modalities” (UN-Habitat 2013, p. 3). Thus to UN-Habitat, urban housing problems seem to reflect both inadequate planning as well as too much of the ‘wrong’ kind of regulation, leading to a chronic shortage of affordable housing and a mismatch between the location of low-cost homes and income earning opportunities. Overlaying these challenges are the profound environmental changes and risks arising from global climate change, and the need to deliver more environmentally sustainable forms of housing and urban development.

‘Permission Impossible’: The ‘Planners Are Coming’

In this context, a lively policy debate surrounds the role of planning in providing for new homes in well located and designed communities, or in constraining housing construction and exacerbating affordability pressures. Whilst the protagonists and particulars of such debates differ between nations, principal complaints focus on the role of planning in holding back new housing supply through the imposition of strict zones or environmental controls, inefficient or unpredictable processes, or excessive fees and charges. At the same time, existing home owners in many countries have a deeply suspicious attitude towards the role of the urban planning system in supporting unwanted housing development and destroying residential amenity. The pejorative ‘NIMBY’ (‘Not In My BackYard’) has come to be levelled at home owners in established suburbs and conservation areas where changes to the urban form are thought to threaten natural or cultural heritage, property values and/or the social milieu (Inch 2012; Pendall

1999). In turn, ‘NIMBYISM’ is thought to be a potent political force constraining new and more diverse housing production through restrictive local planning regulations and decisions (Schively 2007).

Ironically then, both home owners and the residential development industry have presented an effective lobby against the planning system, portraying planning (narrowly conceived in terms of restrictions on outer suburban development) as an explanation for higher house prices and housing affordability problems affecting first home buyers in particular. Again, these tensions have become fodder for reality TV, with the BBC series ‘Permission Impossible’ (BBC 2, 2013, 2014) following a set of British planners as they negotiate between house builders (who invariably want to maximise the scale and potential profits of their projects) and local communities who seem in steadfast opposition to any type of change.

The notion of housing shortage—the proportion of new houses being built relative to household growth—and the role of planning in creating an artificial scarcity of residential sites and development has become a powerful motif in such narratives. Versions of the narrative are rehearsed in many jurisdictions despite significant differences in systems of planning and urban regulation and rates of new housing production (Gurran et al. 2014). Further, as we discuss later in this book, housing shortage is very difficult to measure since smaller, wealthier households may choose to live in large homes and may own additional properties for holidays, whilst lower-income groups are often forced to squeeze into smaller dwellings to meet their shelter needs at a lower cost. As highlighted by urban geographer Danny Dorling, the twenty-first century housing problem might not be so much a problem of too few houses as too many houses owned by too few (Dorling 2014).

Scope of This Book

This book canvasses such issues and challenges, situating housing within the parameters of urban policy, governance and planning. We also recognise the wider role played by housing and the housing market, and the many policy arenas—such as finance, social welfare and health—which also intersect with housing in different ways. We maintain that a spatial policy lens is needed to recognise the locational aspects of housing

provision and access—whilst also noting the policy dilemmas and risks associated with the increasing cleavages among housing finance, ownership and occupation/residency arising through globalisation. Thus, in this book we re-examine the role of urban policy and the planning system in relation to the housing market. We advance a role for urban policy makers and planners in responding to complex and dynamic market trends and supporting an efficient supply of appropriate homes in preferred locations; in guiding necessary long term renewal in response to social and environmental changes; and in supporting more direct government interventions in the housing market, such as funding for affordable housing provision. With reference to international cases from the UK, Europe, the USA, Asia and Australia, we also highlight the potential risks and limits of these roles and interventions. Our intention is to provide a critical analytical lens as well as practical guidance for urban policy makers and planners seeking to develop and implement a cohesive policy framework for monitoring and responding to housing market shifts and pressures, particularly at regional and local scales.

Debates About Urban Planning and the Housing Market

Before advancing any proposals for further government intervention in the housing market, however, it is important to consider the arguments and evidence concerning the impacts of current policy settings and regulations. For instance, it is often argued that more liberal planning systems enable producers to increase the supply of new homes in line with demand, reducing price inflation. We review this literature at some length in Chap. 3. But it is important to note that, irrespective of any constraints imposed by urban planning regulation, there will always be inherent constraints in the supply of new homes. These constraints arise because of the unique nature of housing—particularly the qualities of spatial ‘fixity’ and durability. Homes are tied to a particular place—such that demand for housing in central London is not readily satisfied by the construction of new homes in Bristol. This ‘heterogeneity’ of housing is compounded by the fact that dwellings take time to construct, and can

last for a very long time—so adjustments to the quantity and composition of the housing stock in response to population change occurs slowly.

Nevertheless, it is clearly the case that if regulatory systems exacerbate these inherent constraints, through overly restrictive development controls, or even simply because of slow, expensive, or uncertain decision processes, then the amount of new homes will be reduced, leading to consequential price effects.

Concern about the impacts of urban regulation on rates of residential construction, fuelled by industry groups and sympathetic political advocates, has led many nations to pursue regulatory reform in the name of housing supply and affordability. These reforms appear to have been energised in recent years under the widespread influence of political ideologies such as neoliberalism (which opposes most forms of government intervention in the market).

Many of the policy ideas described earlier—such as the propagation of modernist public housing in post-war cities across Europe, Britain, North America and to a lesser degree Australia, the spread of growth management and urban containment approaches in late twentieth century urban planning, and most recently, debates about the impacts of planning systems on the housing market—are examples of globally circulating ideas about urban policy and housing, which have had varying degrees of influence at local levels. The ever increasing rapidity of global flows of money, information, products, and people, and competition between nation states and global cities to attract this hypermobile investment and growth under globalisation, is also infecting the policy sphere. Thus, ideas about housing and urban policy and regulation are circulating alongside increasingly multi-national firms, investment and finance for housing development. Yet housing itself is immobile, enduring and slow to change.

Comparative Housing and Urban Studies

In this context, a conceptual and analytical framework for comparing and learning from different systems of housing provision and urban governance is needed. Inter-country comparisons of housing systems

(e.g. financing, tenure) and key indicators of outcomes (e.g. affordability, dwelling standards) are often used to draw lessons about which forms of government intervention in the housing market appear most effective. The state of comparative urban studies and planning research is more modest. It is likely that the very detailed nature of planning systems—which feature regulatory apparatuses at several scales of operation—has served to inhibit comparisons between different nations. Yet comparison offers one of the few methods for assessing the potential merits of alternative governance arrangements.

Kemeny (1999) identifies two basic strands of comparative research. The first is a ‘convergence’ school which, he argues, positions all housing systems along a common trajectory, with differences related to sequential stages of development towards a similar end point. Such a ‘convergence’ model provides an explanation for the shift from welfare-based housing systems towards increasing marketisation, home ownership and private renting, in cases like Britain or the Netherlands. By contrast, ‘divergence’ schools argue that differences between nations and outcomes may persist and increase. It is widely recognised that institutions, policies and practices in particular countries today are very much a product of historical evolution of those systems in their national context—the so-called path-dependence which explains divergent responses to common pressure points and challenges. These themes of comparative studies are discussed further in Chap. 3.

Overview and Structure

The book is structured in three parts. Building on this introduction, Part I introduces the conceptual framework for understanding the operation of the housing market; housing policy goals and indicators, and the operation and potential roles of the planning system in relation to housing. Chapter 2 introduces the modern planning system as it has evolved from the early twentieth century, when concerns about poor housing conditions culminated in a range of urban reforms and new approaches to residential and neighbourhood design. The chapter also sets a framework for comparing international approaches to urban governance and

planning regulation, in terms of government structures, spatial structures/urban form and settlement, basic approaches to land allocation and regulation of development, and the differing roles of government and the market in the housing development process. Key features and operations of the housing system are examined in more detail in Chap. 3, which explains the social and economic significance of housing; and the drivers of housing demand and supply. A series of defining policy challenges affecting housing systems are discussed in the wider context of globalisation: poverty and inequality; demographic change; environmental and climate pressures; and the quality of urban life. Chapter 3 also introduces key indicators to highlight similarities and differences associated with housing stock, urban structure, tenure (and the non-profit sector), household size and growth, housing supply and price/affordability.

Chapter 4 examines the debates on how planning as a form of market intervention affects the supply and price of residential land and housing. With reference to both the empirical literature and examples from practice, this chapter distils key policy tactics for ensuring that planners maximise the positive impacts of planning on housing outcomes by creating demand through infrastructure coordination and enhanced amenity, and minimising potentially negative or unfair outcomes for housing affordability or supply.

Part II of this book presents a series of empirical case study chapters addressing different approaches to planning system intervention for housing outcomes, in different nations, focussing particularly on interventions to promote increased housing supply overall and for lower-income groups in particular. In presenting these cases, we include references to historical sources to help explain the ways in which these particular systems have evolved. This raises the question of whether contemporary policy responses to common twenty-first century housing challenges will reflect fundamental 'path dependencies' or are rather heading towards convergence. Chapter 5 examines developments in housing and planning policy in the UK, with a particular focus on England in the period following the Barker reviews on housing supply and the planning system (Barker 2004, 2006), to the constrained funding environment in the period following the GFC. Constrained housing supply has been a defining feature of the British experience over the past decade where current

output is running at around half the projected demand. England also serves as an important example of how consistent, nationally supported mandates for affordable housing inclusion can support the non-profit sector over time.

Changing tensions between housing and urban policy in the US are the focus in Chap. 6, where restrictive local planning systems emerged as a mechanism for suburban 'exclusion' over the early and mid-twentieth century, exacerbating socio-spatial divides. Contemporary housing roles of the federal government, states and local authorities in the USA and the key forms of housing assistance through rental vouchers, public housing and tax credits for low-cost rental housing development and provision are explained alongside contemporary planning approaches to promote 'inclusion' of more affordable homes in new and renewing communities. The US case is distinct for exhibiting relatively responsive quantities of new housing supply, and yet low- and moderate-income renters and home purchasers continue to exhibit considerable affordability pressures.

Ireland (Chap. 7) offers significant lessons about planning for affordable housing supply under conditions of rapid growth and price inflation, and about managing risks associated with wider macro-economic trends. The chapter examines the particular features of local planning and municipal financing in Ireland that triggered the speculative oversupply binge, and identifies potential lessons for other jurisdictions. New pressures, particularly globalisation and the financialisation of housing, have had profound impacts on the market, as highlighted in this case, where a strong speculative housing bubble combined with a weak planning system to deliver too much housing, in the wrong places, whilst undermining emerging attempts to promote more inclusionary forms of development. There are similarities with other cases in Europe and beyond, for example, Spain, where international migration, amenity/retirement and second home tourism, particularly in coastal areas, played a large role in generating a speculative housing boom in the lead up to the GFC.

The range of approaches used to deliver affordable housing in Hong Kong and mainland China, offer important counterparts to the other cases considered in this book (Chap. 8). In Hong Kong, a series of long standing government schemes have delivered affordable public housing

rental and home purchase, as well as effective plan-led public land disposal and development, new towns and the integration of housing and public transport infrastructure. Issues concerning the long term management, maintenance and renewal of high-rise housing are effectively managed too, seemingly without the significant social problems associated with concentrated disadvantage that have characterised public housing schemes elsewhere. Hong Kong and other Asian 'dragon' economies have significantly influenced mainland China in its rapid recent urbanisation, as also discussed in this chapter.

Australia is an interesting nation in which to examine the inter-relationships between urban policy and housing (Chap. 9). It has amongst the world's most expensive housing (IMF 2015), and its approaches to land use planning are an amalgam of models used in many parts of the world, with US style zoning overlaid by UK style discretionary assessment. New millennium concerns about insufficient housing production and the affordability of home ownership have focussed particularly on the role of the planning system in housing production, prompting a series of deregulatory reforms designed to loosen perceived constraints, but home ownership is becoming increasingly unattainable for low- and moderate-income earners. Whilst the inclusionary planning models demonstrated in the UK and many parts of the US could help secure affordable housing as part of the large scale development and redevelopment efforts occurring in many parts of metropolitan Australia, to date the policy emphasis has focussed on boosting the overall number of new dwellings rather than the availability of affordable homes for low- and moderate-income earners.

Overall the experiences demonstrated in these case study countries suggest the need for planning processes to be underpinned by clear information about housing demand and supply at local and regional scales, and equipped with mandates and mechanisms for ensuring that affordable housing is included as part of all new development.

Part III draws on the previous chapters to present more operational approaches to undertaking housing need analyses, developing local strategies for promoting adequate supplies of moderately priced housing across the market, and designing specific measures to secure affordable homes during the development process. Chapter 10 provides operational

guidance on how to develop an evidence base for identifying and responding to housing needs at regional and local levels in both metropolitan and non-metropolitan contexts. As well as explaining techniques, indicators and data sources for undertaking a housing need and market analysis, this chapter draws on operational examples, predominantly from the UK and the USA, for illustration. This chapter also provides practical guidance on how to develop local and regional housing strategies to respond to identified existing and projected need, including setting (or accommodating) targets for new and affordable housing production, and indicators for measuring progress over time.

Chapter 11 introduces and extends the current state of knowledge on approaches to planning for inclusionary housing through a variety of mandatory and voluntary mechanisms suited to different development and housing market contexts. It draws on the cases presented in earlier chapters to provide guidance on matching planning mechanisms to particular types of markets and development contexts. It also outlines the range of policy settings, resources and delivery systems needed to support inclusionary housing strategies.

Chapter 12 draws together the different perspectives and experiences presented in this book to highlight a series of common issues and emerging lessons. We restate the case for governments to take housing problems seriously, whilst acknowledging the role of distinctive, historically evolved political forces in mediating particular responses to the common challenges of poverty and inequality, demographic change, environmental and climate uncertainty, and the complexities of urban life. We also examine how fundamental differences in planning system ‘regimes’ (systems of development control, land ownership and the scale of urban governance), might influence the overall delivery of new and affordable housing supply whilst contributing to wider socially and environmentally sustainable communities.

Part I

Planning and the Housing Market

The chapters in this part introduce the conceptual framework for understanding the operation and potential roles of the planning system in relation to housing. Chapter 2 focusses on the evolution of modern town planning, originally closely aligned with housing reform but increasingly detached from the objectives and concerns of contemporary urban governance. Chapter 3 explains and decodes the key features and operations of the housing system, including the social and economic significance of housing, processes of housing production, tenure, the drivers of housing demand and supply, housing market cycles, submarkets, and measures of market responsiveness and failure. It establishes a basis for international comparison of housing systems, policy responses and outcomes. Chapter 4 draws the discussion about urban planning and the housing market together, examining key debates on how planning as a form of market intervention affects the supply and price of residential land and housing. With reference to both the empirical literature and examples from practice, the chapter distils policy strategies for maximising positive impacts of planning on housing development and renewal (good design, infrastructure coordination, environmental quality) while minimising potentially negative or unfair outcomes for existing and future communities.

2

Urban Governance, Policy, Planning and Housing

It goes without saying that housing is central to and shaped by urbanisation processes. The design of homes has a primary bearing on the spatial footprint of cities, and the relationship amongst housing, transport networks and employment, determines the special logic of urban regions. The location and quality of homes within their neighbourhood context may also reflect cultural and individualised norms and preferences whilst also reinforcing societal differences in wealth and access to economic opportunity. For all of these reasons, housing should occupy a central focus of contemporary urban governance and planning. Yet in many nations, housing has failed to sustain this focus. Under the wider influence of neoliberalism, government intervention—through the delivery of public housing or the regulation of private development—has been seen to inhibit the housing market.

This is despite the co-evolution of housing and urban policy over the late nineteenth and early twentieth centuries. Concerns about the inadequate housing conditions of the industrialising cities, particularly in the UK, America, and parts of Europe, gave rise to the earliest public health laws which served as the precursors to modern urban planning

regulation. However, in many ways and in many nations, housing has been relegated to one of a number of thematic concerns facing urban policy makers—alongside transport, commercial and industrial development and environmental protection to name a few. Further, many other policy arenas have direct or indirect implications for housing which, if not considered explicitly within an urban policy framework, can lead to perverse outcomes. For example, whilst an emphasis of contemporary urban policy and planning is to manage the outward expansion of growth, to ensure the location of new housing development in serviceable areas near employment centres, and to preserve environmental resources, fiscal policies often encourage investment in housing as an asset class or source of government revenue, whilst economic policies might seek to maximise new housing construction for regional and local employment.

In this context, this chapter introduces the evolution of modern urban planning, then outlines contemporary normative urban planning goals and their implications for housing as an organising force in urban and regional structure. This sets a framework for the second half of the chapter, which explains the basic rationale for urban planning as a particular form of government intervention in the urban development process (as opposed to other instruments for controlling land use and construction, such as building codes and private property law). The chapter also explains the key elements of the planning process as a basis for comparing systems from different countries and the potential implications for new housing development.

Evolution of Urban Planning and the Regulation of Housing Development

Accounts of early urban settlement planning provide an interesting reference point for contemporary approaches. Early laws about land use prevailed in ancient Greece by about 750 BC (Mumford 1956), governing the location, density and design of buildings by 330 BC, with provisions for financing and maintaining shared facilities

necessary for the protection of ‘common life’ (Haverfield 1913). Medieval English building controls also resembled contemporary regulations—addressing issues such as shared (party) walls, gutters and lavatories (Booth 2002). Evolving as part of the common law concept of nuisance, these rules were designed to resolve disputes between neighbours, rather than wider problems arising from uncoordinated development.

By the nineteenth century, rapid industrialisation and urban migration to the cities, of Britain, America and Europe had resulted in chronic urban problems. An epidemic of cholera in English industrial cities in the late 1830s prompted an inquiry into the sanitary conditions of workers. Ultimately this report, led by Edwin Chadwick, resulted in the passage of the *Public Health Act* in 1848, which set standards for drainage, ventilation and lighting in the construction of new dwellings. In 1875, the remit expanded to requirements for rear gardens and minimum road widths between homes (Hall 1996). Similar processes were occurring across the Atlantic. Substandard tenement housing in the rapidly growing New York City, saw the first *Tenement Act 1867*, which mandated minimum health and fire safety standards in tenement construction (Hall 1996). A series of subsequent laws sought to address the housing conditions of the poor until the enactment of the comprehensive *Tenement Housing Act 1901*, which formed the basis for much of the later housing legislation in New York City, and was echoed in other major cities of the USA.

By the early twentieth century, awareness of the spatial implications of urbanisation processes—particularly the depopulation of rural areas and the overcrowding of cities—crystallised as a more coherent framework for town and country planning. One influential proponent of the new town planning movement was Patrick Geddes, originally from Scotland, whose work led to the first social housing schemes in the form of state sponsored and voluntary housing co-operatives for students and artists in Edinburgh (Hall 1996). Another was Ebenezer Howard, whose ‘Garden City’ model, first articulated in his 1898 book: *To-morrow: A*

Peaceful Path to Real Reform, was particularly influential (Hall 1996). Howard's model was for new, self-contained towns serviced by modern mass transit. Accommodating populations of around 32,000 people and occupying roughly 1000 acres enclosed by green belt, the garden cities movement sought to improve housing standards by lowering residential densities.

The passage of the *UK Housing and Town Planning Act* in 1909, enabled the preparation of land use planning schemes to coordinate new development according to the garden city principles:

“In a sentence it means development on public welfare lines as against the present aimless methods, under which one owner lays out a street which another owner ignores and blocks when it does not coincide with what he may conceive to be the welfare of his own estate.” (Aldridge 1909, p. 187)

By turning legislation towards health and housing quality, advocates of the modern town planning movement conceived of planning for improved housing conditions as a means of social reform (Hall 1996). The main innovation of the 1909 *UK Housing and Town Planning Act* was the notion that local authorities should guide the form of private development in the public interest (Booth 2002).

The ‘welfare economics’ case rests on five key arguments: (1) management of ‘externalities’—the spillover effects arising from development; (2) the protection and provision of public goods; (3) the promotion of social fairness in urban development; (4) the sharing of information to coordinate decision-making and urban investment; and (5) the potential problem of monopolies in the land market. These are discussed at greater length in Chap. 3.

In short, the British town planning system introduced the notion of the public interest for which private preferences and rights were subservient under regulatory planning instruments and decisions. Concerns about the costs of compliance with new schemes (which would impose new controls on ventilation, and open space), were to be offset by savings in coordinated infrastructure provision as well as the general benefits

arising from greater certainty across the system (Aldridge 1909). It was recognised that new homes in garden suburbs would not be affordable to lower-income ('unskilled') wage earners. Rather than a regulatory planning response, it was argued that more direct government intervention through wage reform and/or subsidised housing provision would be needed to ameliorate the pressures in the lowest sector of the market.

In fact, local authorities in the UK did provide high levels of lower-cost rental housing as part of the roll out of the new planning schemes. There was also a well-established tradition of firms providing housing for their employees, with perhaps the most famous example being 'Bourneville', a model village developed by the Cadbury family to improve the health and living conditions of their own workforce. However, in other countries—such as the USA and Australia, the focus of early planning legislation was primarily on physical design controls or density rather than the housing needs of lower-income groups (Marcuse 1980). Worse, in many cases concern for overcrowding became a mandate for the demolition of low-cost rental (tenement) housing often without clear arrangements for housing the displaced.

Thus, to the extent that Garden City ideas influenced housing developments in the USA, the emphasis was on neighbourhood design and of regulating density. Despite initial attempts to improve housing conditions through comprehensive land use planning, the introduction of zoning (in New York City from 1916), enabled the restriction of density to reduce "dangerous concentrations of potential malcontents" with added benefits of being able to exclude such "malcontents" ... from the better residential areas (Marcuse 1980, p. 170).

The period following World War II saw strong involvement by governments in the development of infrastructure and housing. Although the degree and form of this intervention varied, post-war reconstruction in Britain and Europe, and the population boom in Australia and North America, legitimised significant public expenditure on infrastructure and urban development (including public housing). Coinciding with the increasing trend towards comprehensive spatial plans, at metropolitan and regional scales, public funding for roads, power and water infrastructure was critical for realising the envisaged patterns of growth,

and the role of the state in supporting public provision and managing private development was largely uncontested.

Regional planning efforts emerged in the USA and UK during this period as well. The key concern was spatial unevenness in economic development and the potential for government strategies such as infrastructure investment, favourable tax settings or regulation to promote more balanced growth.

The urban planning profession was increasingly institutionalised, with the passage of modern legislation such as the UK's *Town and Country Planning Act 1947*. The Act 'nationalised' development rights, meaning that the right to develop would not be conferred by zones in a land use plan (in fact zones were dropped in the 1947 legislation), but rather that proposals would need to undertake a discretionary assessment process. Meanwhile in the USA, local authorities increasingly adopted land use zoning, in many cases with the expectation that zoning schemes would improve property values (Fischel 2004).

This was also a period of significant suburban expansion, facilitated by growing private car ownership and the construction of major road infrastructure to accommodate the new traffic. Planning was conceived as a form of physical design, albeit for the public good (Taylor 1999), with implementation of major schemes assured through direct government provision of infrastructure and often housing as well. This public sector development is sometimes described as 'positive' planning, in contrast to passive 'reactive' or 'negative' planning which relies entirely on regulation of private development. Nevertheless, regulatory planning frameworks played an increasingly strong role in delimiting the location, density and design of private development, particularly residential neighbourhoods. For instance, in the USA, restrictive suburban zoning—which predominantly permitted single dwelling homes on their own allotment—became an instrument for dividing suburbs and neighbourhoods based on housing type, tenure and social groups (Fischel 2004).

Thus, zoning exacerbated the chasm between older inner city areas and the new suburbs, during a period of profound economic restructure as industry and population began to leave the inner core. In the 1980s, the wave of neoliberalism which spread in many parts of the world led to a period of further 'destructuring', including deregulation and privatisation,

funding cutbacks to social and urban services, and often the devolution of fiscal and administrative responsibilities to local governments (Brenner 2002). A consequence has been increased reliance on private finance and public private partnerships to fund major infrastructure programmes, user pays models, and, arguably, increased unevenness in spatial development. In many cases states and municipalities began to adopt entrepreneurial strategies, competing for external investment by offering attractive financial or regulatory incentives (Brenner and Theodore 2002; Harvey 1989).

Reforms to the British planning system introduced by Margaret Thatcher during the early 1980s sought to reduce perceived barriers to growth and investment, by introducing special 'enterprise zones' in designated areas in place of local controls (Allmendinger and TewdwrJones 1997). In other countries, the spread of neoliberal political ideas has also meant an ongoing challenge to the legitimacy of regulatory planning systems (Gleeson and Low 2000b; Gurran et al. 2014; Gurran and Ruming 2015) along with profound changes to local government and the provision of urban infrastructure (Sager 2011; Warner 2010). The implications of these changes are discussed in the case study chapters which follow, but it is important to note the political and ideological basis for many of the new millennium critiques of regulatory planning as a constraint to private development (Davoudi 2011).

Thus, the rise of neoliberalism and the closely associated economic and social process of 'globalisation' has had profound impacts on cities and regions. Globalisation—the global process of economic and cultural integration—has been facilitated by rapid advances in telecommunications and information technology (Castells 2010). It was hoped that such advances would reduce the need for spatial concentration in the major economic centres, enabling workers and firms to locate virtually anywhere. Instead, increased virtual connectivity has intensified and deepened social networks both globally and locally, often expressed spatially in the rise of mega city regions (Castells 2010; Gaspar and Glaeser 1998). At the same time, the demand for housing no longer derives solely from the local population but from international firms and investors, contributing to price inflation. Thus, a sharp socio-spatial polarisation has emerged in many global cities as high-income knowledge workers cluster in close proximity to opportunities whilst lower-paid workers

undertake lengthy and expensive commutes, constrained by inadequate housing choice (Brenner 2002).

The rise of neoliberal political ideas and agendas—particularly those surrounding deregulation, marketisation and privatisation—have had particular implications for the operation of urban planning systems. In many jurisdictions, the lexicon has shifted from urban ‘planning’ to urban ‘governance’ to reflect the increasingly blurred distinctions amongst government, private enterprise and civil society (Brenner 2002; Gleeson et al. 2004). In many jurisdictions, the social welfare objectives underlying the modern town planning initiatives have given way to objectives for economic growth through entrepreneurial urban governance (Brenner 2003). For planners charged with the role of regulating the location and form of new development, the notion of an entrepreneurial governance implies a blurring of the distinctions between public good regulation of private enterprise (Allmendinger and Haughton 2009; Steele 2009). Thus, planners are encouraged to negotiate with and between developers and communities to achieve consensual outcomes, facilitating rather than regulating growth.

The Sustainability Paradigm

Alongside neoliberalism, but with a very different focus, the ‘sustainability’ paradigm also emerged during the late 1970s and early 1980s. Encapsulating both traditional planning concerns for environmental protection and conservation, and more contemporary issues such as resource depletion, global warming and climatic change, the sustainability agenda has had a profound influence on ideas about the ideal urban form as well as the focus and nature of regulatory planning processes.

Since the late 1970s at least, environmental and often town planning legislation in most nations has incorporated objectives relating to environmental and heritage protection. Early environmental and heritage protection efforts were translated into strict controls managing development in environmentally sensitive or conservation areas. Concerns about public participation and fairness in decision-making, the loss of urban heritage and pollution, also began to influence legislation during this time (Hall

1996). Town planning laws began to include provisions to consult with members of the public when new plans were made and major projects considered.

The goal of 'sustainable development' was first articulated by the World Commission on Environment and Development (WCED) in 1987, as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED 1987). This has been further explained to address threefold economic, social and environmental concerns when allocating land and assessing development (Campbell 1996; Jepson 2001). Subsequent interpretations have extended the notion to 'ecological sustainability' (which emphasises ecosystem protection and enhancement as paramount, and does not presuppose a development outcome). More recently, concepts such as 'carbon neutrality' (development which does not increase greenhouse gas emissions which contribute to climate change), and 'resilience' (the capacity for natural and human systems to adapt to pressures and threat), have also begun to infuse environmental and spatial planning documents and laws (Carbonell 2010; Pickett et al. 2004; Romero-Lankao 2012).

In practice, these influences have given rise to a particular approach to spatial land use allocation and development control, informed by ongoing research and debates regarding sustainable urban form and the impacts of different types of development (Jenks et al. 1996; Neuman 2005; Newman and Kenworthy 1999). The sustainability paradigm has also influenced thinking about the ways in which decision processes should be carried out, particularly the need to integrate a variety of potentially competing social, cultural, economic and environmental considerations associated with proposed developments, the wider downstream or regional impacts, and impacts over time (Healey 1997).

The creation of safe, healthy and functional living environments, whilst minimising negative social, economic or environmental impacts of private development, have long been a central rationale for modern urban planning. But the sustainability agenda extends this mandate and also challenges it. For instance, the separation of potentially competing land uses has been a hallmark of modern Anglo American planning, particularly through land use zoning in the nations which adopted it. However, with the rise of the private motor car, the separation of land uses in this

way has given rise to new environmental problems (car dependency, traffic congestion and air pollution) as new homes were located separately from work and other services. More 'sustainable' approaches to land use planning emphasise mixed uses, preferably around public transit to reduce car dependency and to contain urban development through higher-density housing forms (Newman and Kenworthy 1999; Talen and Knaap 2003).

Environmentally sustainable forms of urban planning also seek to preserve and enhance biodiversity, protecting species of plants and animals and the ecosystems on which they depend, by avoiding development in highly sensitive locations, and by managing the impact of development that does occur (Beatley 2000). Providing for connectivity between important animal habitats through linked areas of native vegetation can be an important strategy for preserving and enhancing biodiversity through the planning process. The use of green buffer zones can also be an effective planning strategy for protecting important ecosystem values. Such controls may however, imply costs for private landowners in limiting the development potential of their land or in requiring studies and preservation/remediation activities to accompany development which does occur.

Increasingly, the sustainable planning agenda extends to the use and reuse of resources and energy in the development and ongoing life cycle of homes and buildings. Such considerations range from design and orientation for solar and thermal efficiency through to the sourcing of building materials and appliances. There is growing interest in the potential for more sustainable and decentralised forms of infrastructure as alternatives to coal powered electricity and large scale water distribution networks, through neighbourhood and even site level wind, solar, water and waste facilities. Thus, there are debates about the merits of implementing these practices through regulatory requirements, which create a larger market for new environmental technologies, but also mean upfront costs borne by the early adopters required to incorporate sustainable design features and appliances in their development.

A number of voluntary environmental certification programmes seek to encourage the private sector to shift to more sustainable forms of building design and construction. Governments and non-profit organisations have

also used their own development activities to demonstrate innovation in sustainable building design, with particular examples in the social housing sector (Chance 2009; Dewick and Miozzo 2004). However, systematic government initiatives—and particularly planning and building regulations—play an important role in standardising these approaches and promoting wider adoption through industry practices (Retzaff 2009). At the same time, industry sectors have often challenged the imposition of sustainability requirements by state or local governments. These issues are discussed further in Chap. 4. But it is worth noting at this juncture that empirical evidence on the costs of environmental regulations is limited, and likely to be offset by lower expenditure on heating, cooling and water over the life of the dwelling. In a comprehensive survey of the relationship between environmental regulations and housing costs in the USA, Arthur Nelson and colleagues concluded that:

Despite anecdotal information and intuitive feelings to the contrary, we found that in general the environmental regulatory process does not add significantly to the cost of housing; that it does not significantly increase the amount of time housing developments require to complete; that the costs and time delays attributable to the environmental regulatory process have not increased significantly during the past thirty years or so; and that the benefits homeowners, society, and developers derive from the environmental regulatory process are considerable. (Nelson et al. 2009, p. xxi)

As well as the environmental aspects of sustainability, much urban planning scholarship and policy emphasises the need to promote social dimensions of sustainability (Dempsey et al. 2011). These include both equities of access to economic and social opportunities and amenities, as well as more abstract notions of community cohesion, health and well-being (Vallance et al. 2011). Social sustainability is thought to be achieved through physical planning strategies which support a strong public realm, a range of community facilities, opportunities for active transport (such as walking and cycling), as well as diverse and affordable housing opportunities (Wheeler 2013). Affordable housing in this context intrinsically depends on accessibility within the built environment to key services, employment and educational facilities, through public

transport, opportunities for walking and cycling, as well as proximity to green space, social networks, culture and recreation (see Dempsey et al. 2011a, pp. 92–93).

Increasingly, community and public health concerns associated with urban living conditions are also considered an important part of the social sustainability agenda. As outlined earlier, connections between housing conditions and health have long been recognised. Whilst the focus of health and sanitation reforms in the nineteenth and early twentieth centuries was on the squalid housing conditions and consequent ill health of the poor, by the late twentieth century a new set of health concerns arising from the location and design of housing had emerged (Wells et al. 2010). In addition to recurring issues arising from unresolved affordability pressures (such as inappropriate housing conditions, overcrowding etc.), a range of other health issues associated with the location and design of housing may also affect wider sectors of the population. These include obesity and cardiovascular diseases associated with a sedentary lifestyle and poor nutrition, which in turn is linked to high rates of car-based commuting and inadequate access to sources of fresh food, or opportunities for physical activity, particularly in open space (Forsyth et al. 2008; Garden and Jalaludin 2009). Additionally, respiratory diseases arising from exposure to air pollution (again a problem arising from traffic congestion) can affect all sectors of the population (Rauh et al. 2008), as can the presence of crime related to rapid urbanisation and poor urban design (Cozens 2008).

These issues are intrinsically associated with the location and design of housing, particularly as it relates to transport and urban form. The location of homes relative to opportunities for employment and other services, and the availability and type of different forms of transportation, can have a significant influence on levels of air pollution and on physical activity (Frank and Engelke 2001). In particular, walking and cycling for transport is more prevalent in places with good access to shops and services, and safe and interconnected street networks (Forsyth et al. 2008). Further, access to attractive areas of open space is thought to increase rates of walking and other physical activity (Frank et al. 2007; Wen et al. 2007), as well as enhance mental well-being (Frank and Engelke 2001). In turn, increased walking is thought to encourage interactions between neighbours, contributing to a sense of

community which is also associated with positive mental health benefits (Wood et al. 2010).

Higher- and medium-density housing with good access to public transport, as well as a quality public realm incorporating infrastructure for active transport and open space, is thought to offer a strong design framework for promoting public health through the built environment (Sallis et al. 2006). However, there is also concern that higher-density housing near major traffic arteries is associated with increased exposure to airborne pollutants, and a need to consider the spectrum of urban form and design considerations in the context of climate change (Bambrick et al. 2011). For instance, it is also argued that detached homes with gardens may offer better opportunities for urban cooling, self-provision of food and outdoor pursuits (Gleeson 2008).

All of these debates have influenced the ways in which central governments have devised overarching planning policies for interpretation through local regulations governing the location and design of residential subdivision, housing density and diversity, the provision of open space and community facilities, and so on.

Sustainable Planning Versus Economic Development

There is often an assumption that ‘development’ per se contributes to economic benefits, because of the direct and flow-on impacts of the development process itself. These impacts include jobs in construction and related industries, and the prospect of local population growth, which in turn boosts local demand for goods and services. However, the sustainability paradigm implies a stricter test of economic benefit, such as the need to ensure balanced and sustainable employment opportunities, supported by complementary configurations of land uses, infrastructure and services (Roseland 2000).

In a version of the early complaints about town planning laws as an impost on private property rights, it is often argued that by seeking to control development (even in pursuit of sustainability goals), urban planning regulations constrain economic growth (Campbell 1996), and distort the market by undermining competition between different industries or

developers (Kim 2011). Whilst we do not address such arguments in detail in this book, it is important to consider the implications of government regulation on private sector housing production which, as already noted, is often considered a significant form of economic growth itself.

It is important to note at this juncture that the welfare economics view of planning has weathered considerable attacks over the past century. As noted earlier, from the late 1960s and 1970s onwards, assumptions about the role and efficacy of government intervention in the market came under increasing scrutiny and challenge (See Klosterman 1985; Webster 1998 for reviews). There were ongoing debates that the increasing 'regulatory burden' imposed by the planning process would deter development, unfairly constrict property rights (Alexander 1994; Klosterman 1985; Moore 1978), or simply facilitate private speculation and wealth accumulation through property investment (Sandercock 1975). Such themes continue to fuel contemporary debates about the role of the planning system in constraining housing provision and/or in being hijacked by self-interested home owners intent on preventing change to preserve neighbourhood property values. Overall, however, these challenges have shaken but not fully dismantled the overarching rationale for the planning process or the widespread acceptance of regulatory planning as the 'least worst' arrangement for managing the multiple issues and interests associated with urban development.

Elements of the Planning System, and Implications for Housing

Whilst arguments in favour of formal regulatory planning systems are almost universal, procedures for land allocation, and approaches to development control, differ. These differences may offer important insights into why some housing markets in some countries seem more able to adjust to changing demand by producing more new homes than other countries (Ball et al. 2010). For instance, in the UK, whilst a national planning system prevails, each of the self-governing territories (Wales, Scotland and Northern Ireland) also have their own planning laws and processes. In the USA and Australia, urban planning is the responsibility of state and local governments, and a complex array of procedures and land use planning

instruments prevail in both nations. Differences between these instruments and decision-making processes may appear subtle—for instance, whether land use zones or a discretionary planning scheme is used to control the location of housing development; or whether the power to approve major developments remains with local governments or is vested in a higher authority; or whether a political or professional authority makes the final determination on a proposal. To provide a basis for comparing planning systems from different countries, it is helpful to refer to the basic elements and procedures that seem common throughout the world, as identified by the International Society of City and Regional Planners (ISOCARP 2000).

Legal Source of Power Underpinning the Land Use Planning System

Firstly, a legal source of power, usually vested within special purpose urban or environmental planning legislation, is needed to operationalise the bureaucratic and development control functions of urban planning systems. This overarching or ‘enabling’ legislation provides a basis for preparing subsidiary land use plans and development controls to regulate the types of activities that may or may not be carried out on a particular site.

However, a limitation is that these controls are usually confined to future development, rather than to existing land uses already in operation. Nor can the planning system require that a particular development takes place. Therefore, even though it is common for planning instruments to seek to increase particular types of development, such as new housing to meet projected population growth, implementation largely depends on private firms and actors.

The Need for Permission to Carry Out Change in the Built or Natural Environment

So aside from previously mentioned forms of public sector development (including, historically, social housing provision), the planning system is generally confined to a regulatory role, reacting to proposals from private developers. This leads to the second characteristic of land use planning

systems—the need for permission to carry out change. Although each jurisdiction will have a different threshold for planning permission, this basic need for consent to carry out change, defined in legislation, is the trigger for the planning system to come into operation, at least in respect of private land and development. It is important to remember that most countries regulate activities in the built environment under a variety of different laws which might range from building codes to environmental protection legislation. In some jurisdictions, building codes will regulate many types of activities, including the construction of dwelling houses, without the need for additional ‘planning’ permission. Sometimes, these rules are integrated with and reflect the objectives of the planning system or local plans, but there is an important distinction. That is, that unlike permissions obtained under a planning system, building controls and codes regulate *how* construction takes place, not whether or not it can proceed at all.

The thresholds for requiring planning permission, and the standards which need to be met before such permission will be issued, can vary significantly between local jurisdictions. Significant variation in local planning controls is observed in the UK and the USA, for instance, where local government units have a high degree of autonomy over their local development plans and codes (Bramley and Leishman 2005; Pendall et al. 2006; White and Allmendinger 2003).

If the regulatory requirements for obtaining permission are viewed as too onerous—and the costs of securing permission (and complying with the regulatory requirements in carrying out the development) are not able to be sufficiently offset by the anticipated profit, then changes in land use will not come about, at least in the short term. In some situations, this is an appropriate outcome. For instance, when industrial or commercial areas are offering local employment opportunities, it may be sufficient to identify these areas as appropriate for future increases in development intensity but to allow these changes to occur gradually, allowing time for businesses to relocate over time as land values rise in response to increased population growth and residential demand. However, in the case of housing, it has been suggested that when one local authority is perceived to have an overly negative stance towards development, potential growth may be diverted elsewhere, placing pressure on a regional housing market (Monk et al. 1996).

The Balance Between Constraints and Incentives: Control and Discretion

Whatever the timeframe for future urban development, planning controls must be designed in a way that can effectively encourage preferred development types to occur, notwithstanding the need to manage impacts and secure socially and environmentally optimum outcomes. Thus in designing land use plans and development controls, it is necessary to strike a balance between ideal and realistic or economically viable outcomes, or risk deterring new development altogether. A way around this dilemma can be to introduce some incentives, such as additional development potential, often operationalised as extra height or site coverage beyond what would have been permitted under the existing planning controls, as a way of offsetting additional regulatory requirements (for instance, the provision of social facilities, higher-quality environmental measures or affordable housing). Of course, this is a contested process, because it can be argued that if the site has additional development capacity and this capacity can be utilised without introducing negative physical impacts on the surroundings, then the development should be permitted anyway.

Resolving the balance between stringency and permissiveness in planning controls will depend on the particular scope assigned to the planning system, as outlined in legislation, including mechanisms for decision-making. Critical distinctions include: the relative power of national/central governments versus local jurisdictions (such as the power for central government to 'call up' a significant development proposal, or to intervene in local plan making); and the nature and extent of political involvement in approving land use plans or development proposals, versus decision-making by professional planners, or by specially appointed expert panels.

Within these categories, the extent to which decision makers are able to exercise discretion in awarding planning permission is an important distinction between different planning systems (Booth 1995, 1996). In nations such as the USA, where land use zoning predominates, fixed land use controls (governing what can and cannot occur within a particular zone) and local ordinances (typically specifying minimum site areas, building setbacks, heights, etc.) offer limited flexibility once the

regulations have been set (Cullingworth and Caves 2014). By contrast, under the more discretionary system used in the UK, development plans provide a guiding framework for allocating sites to preferred activities in a strategic way, but planners have the discretion to weigh up the merits of each particular case before issuing permission (Booth 2007). Yet in both systems, local planning authorities exercise considerable autonomy in preparing land use plans and in determining development proposals within their jurisdictions. By contrast, in nations such as Australia, state governments maintain strong control over local planning matters, setting the parameters for land use plans, and reserving the power to directly intervene in local decisions. Since local government has no independent constitutional status in Australia, these powers include the capacity to dismiss municipal ‘councils’ (elected officials) and appoint administrators to perform planning functions (Gurran 2011).

Public Consultation

Public involvement in preparing land use plans and in assessing particular proposals has long been an important part of the planning process, although participation rights differ between jurisdictions. The original 1909 *Housing and Town Planning Act* (UK) embedded consultation processes as integral to the making of local planning schemes:

“The Act of 1909 was passed for the purpose of giving Local Authorities greater control over the areas they govern, and greater power to secure that the conditions of development shall be right from the beginning, and not for any other purpose. Moreover, schemes when prepared will be the schemes of the Local Authorities. They will be responsible for the drafting of them, and, when finally made, such schemes will represent their ripe decisions carefully arrived at after consultation with the owners. The more a scheme can be made the “greatest common measure” of agreement between the Local Authority on the one hand and the owners and others interested in the land on the other, the better the scheme will be.” (Aldridge 1909, p. 214)

However, it is clear from the advice of Henry Aldridge that consultation was originally envisaged as a means of making planning schemes feasible

by incorporating the different perspectives and intentions of landowners. This may seem somewhat narrower than the wider notions of collaborative deliberation between different stakeholders in contemporary planning processes (Healey 1997).

Most jurisdictions require public exhibition of land use plans for a minimum period of time, and sometimes include regulations regarding the need for public meetings or hearings, as well as written submissions from members of the public. Depending on the scale of development proposed, neighbouring landowners and residents will often be notified when a specific application is lodged with a planning authority, and also be given an opportunity to make a written submission, and/or attend a meeting. Some jurisdictions offer third party appeal rights—that is, the ability to appeal a decision about a planning proposal that does not directly involve the appellant. These rights might relate to a proposed house next door or a more substantial block of apartments in the locality. The extent to which members of the public are able to object to new residential development can be a significant barrier to the provision of more affordable and diverse housing types (Pendall 1999; Tighe 2010). In Australia, it has been demonstrated that third party appeal rights tend to be exercised primarily by residents in more affluent suburbs (Taylor 2013), adding weight to wider literature on ways in which the planning process is sometimes manipulated to serve the interests of existing home owners seeking to preserve property values rather than in service of wider community goals (Schively 2007).

At the same time, attempts to wind back public consultation processes through planning reforms which promise ‘faster’, more ‘certain’ development approval have sometimes cast concerned residents as ‘NIMBYs’, diminishing the complexity of interests and values inherent in land use planning decisions (Gurran and Ruming 2015; Inch 2012).

Financing Local Infrastructure and Services

To finance the shared infrastructure needed to support new development, planning systems typically include arrangements for funding infrastructure such as roads, electricity, water services and often public spaces and community facilities. In many nations (including the UK and in many

parts of the USA), contributions towards affordable housing or other socially beneficial development might also be sought, as discussed later in this book. There are a range of different ways for determining the amount of contribution to be required by each development, the means of collecting funds and for legitimising different forms of contribution (Evans-Cowley and Lawhon 2003; Saxer 2000). For instance, contributions towards infrastructure could be justified on the basis of the additional impact on local services created by the development, or on the basis of the additional land value (or benefit) associated with planning approval.

It is also argued that development contributions (often called ‘impact fees’ in the USA, and ‘planning gain’ in the UK) can promote more efficient forms of development (Ennis et al. 2002; Kirwan 1989). For instance, if developers are required to contribute towards the cost of providing local roads to service their project, they are likely to design the project so as to minimise road distances, through subdivision layouts which conserve land. Ensuring that development contributions support strategic objectives depends on the way in which contributions are designed and imposed (Burge et al. 2007; Gurran et al. 2009). There is a large literature on the potential effects of development contributions and charges on housing supply and affordability (for a review see Evans-Cowley and Lawhon 2003). We discuss this issue further in Chap. 4.

Funds are also collected for administering the planning system, usually through development application or permit fees. Arrangements for collecting these charges are set out in planning legislation.

The Planning Process

To understand the intersections between urban planning and the housing market, and the ways in which these may differ between jurisdictions, it is important to understand the process by which planning decisions are carried out. These processes can unfold over a considerable period of time. Indeed, the time taken to secure planning permission is often regarded to be a major constraint in housing development (Ball 2010; Dowall 1979; Keogh and Evans 1992), discussed further in Chap. 4.

Since regulatory planning is bound by legislation, the planning process itself follows defined and sequential paths. Often a broad division is made between comprehensive forward or 'strategic' planning for a defined area (assigning land for particular uses), and 'development control'—assessing specific proposals for development on a particular site. Strategic planning processes might apply to a neighbourhood, a whole town or a larger region, during which time land will be allocated for different uses in relation to a set of overarching objectives, existing development and infrastructure, and environmental or physical characteristics and constraints.

Land Allocation/Plan Making

In general, the land allocation process focusses on identifying appropriate sites with the capacity to accommodate forecast need for population growth as well as growth in economic activities. A number of studies involving demographic forecasting, analyses of environmental and infrastructure constraints and capacity, identification of environmental and cultural heritage, and so on, will be conducted to inform major strategic planning processes. In most cases, spatial plans applying to a particular region or settlement will be prepared in the context of an overriding policy framework set by a higher level of government (which might comprise a single document, such as the *National Planning Guidance* which binds planning authorities in England and Wales) and/or a series of policy documents and advice. Increasingly, the European Union is influencing the planning processes of member states, including directing that certain land use plans are subject to 'strategic environmental assessment'—designed to evaluate and mitigate the likely environmental impact of all development anticipated by the plan (Fischer 2010).

This plan making process will include a period of public exhibition, with opportunities for written submissions to be considered before the plan is adjusted (if judged appropriate) and finalised. Where the planning process relates to an existing community (rather than a new subdivision or town on a 'greenfield' site) additional time may be needed to resolve the range of issues that arise for existing residents. The plan itself will be articulated through legally enforceable guidelines or controls which relate

to particular sites (typically shown on a map) and/or development types (such as housing or industry).

Ideally, the strategic planning process will provide maximum certainty for landholders and community residents as to what development will be permitted in particular areas, and under which circumstances. However, the need for as much certainty as possible notwithstanding, there is a tension between specifying all of the rules or parameters to govern developments in advance and providing for the flexibility to assess particular developments on their own merits. Further, a considerable amount of data is needed to ensure that land use plans accommodate future demands and opportunities, without jeopardising important social or environmental values. When there are limited resources for detailed 'strategic' planning, and monitoring, research might be deferred to the development assessment stage, when aspiring developers will be required to fund and undertake the studies needed to inform the decision-making process.

The process of land allocation will always be contentious given that planning decisions about the potential use of particular sites represent considerable economic value for landowners. Further, it can be difficult to reverse a land use planning designation/decision without compensation.

Development Control and Enforcement

When permission is needed to undertake a particular development (under the terms of the relevant planning instrument), an application will be prepared and submitted to a planning authority. Usually, the authority will be within local government (noting that in some countries there are many layers of local authority). When the development is regarded to be of minor impact, supporting documentation is usually minimal. It will include a site plan, architectural drawings (including elevations to assess overshadowing and privacy issues), as well as details as to the types of materials used. More significant development types will typically require technical studies to be submitted as well. These could relate to built heritage, flora and fauna, traffic impacts and so on. For projects likely to have a major environmental impact, a special assessment process, known as 'environmental impact assessment' is carried out.

Typically, the development proposal (including any environmental impact studies) will also be placed on public exhibition with the opportunity for members of the public to make written submissions. Although these submissions must be considered in the decision-making process, jurisdictions assign varying levels of importance to ‘third party’ objections (i.e. objections made by persons who are neither proposing the development or the assessment authority). Whilst consultation processes take time and can also result in barriers to housing development (as noted earlier), public participation provides important transparency and contestability of the effects and impacts (including costs and benefits) of a particular proposal.

Depending on the potential impacts of the proposal and the assessment requirements contained in the planning instrument, additional referral to other government authorities might be required. Usually, the assessment process will be managed by professional planners who will prepare a report and recommendation. However, different jurisdictions have different arrangements in place for making the final decision. These include (a) determination by a professional planner, or (b) by a specially constituted panel of experts, (c) determination by elected representatives (typically of a local municipality), or (d) by a government minister (often the case for very significant projects and public infrastructure). In general, it is usually thought that professional, expert determination results in more predictable planning decisions than those made by locally elected representatives although this can depend on the extent to which expert assessment and recommendation is part of the decision process, and the extent to which decisions are subject to legal appeal. If the proposal is approved, this will usually be subject to particular conditions of approval, typically including the level of development contribution for local infrastructure or services. The burden of development conditions and contribution levies is often a point of contention as heavy expectations may also affect project viability. Nevertheless, it is almost invariably in the interests of developers to seek to reduce development conditions and levies overall and in relation to their specific proposals, in particular.

If the developer is unsatisfied with the decision, they are usually able to seek a review within the local authority itself or by appealing the matter in court. As noted, in some jurisdictions third parties are also able

to challenge a planning decision in the court. In theory, the capacity to appeal against a decision should improve system transparency and fairness. However, third party appeals also introduce delays and uncertainty to decision processes, and can be expensive to mount or defend.

Each of these steps in the planning process—from the allocation of land through a spatial plan and the setting of development controls through to the assessment of particular proposals against these rules, resolving public objections or the concerns of other agencies, and finally issuing planning permission—can take considerable time and resources, although most jurisdictions impose statutory timeframes to balance the need for quality decision-making with expediency. A timeframe for planning permission is also imposed in some jurisdictions, such that a failure to commence or complete a project within a specified period will result in the approval being revoked.

All planning systems include provisions to enforce legislative requirements and to penalise unauthorised development (if retrospective permission cannot be issued). In addition to the capacity to demolish illegal buildings, enforcement provisions might range from financial penalties to the possibility of criminal proceedings.

Comparing Urban Planning Systems

Knowing the core elements or components in a planning system provides a basis for understanding the way in which specific planning systems work within particular jurisdictions. Two important reference points for modern regulatory planning systems are the approaches which have evolved in the UK and the USA. These are very different systems—one characterised by highly codified land use controls through zoning and detailed local ordinances (the USA) and the other by a discretionary system which evaluates most development proposals on their merits (the UK). However, as shown in Table 2.1, planning systems in both the UK and USA differ in important ways to the other jurisdictions considered in Part II of this book. Both Ireland and Australia combine elements of the UK and the US models, employing land use zones as a foundational form of development control whilst also enabling discretionary assessment of

Table 2.1 Comparing key characteristics of planning systems

	UK/England	USA	Ireland	Hong Kong/China	Australia
Source of power/ legislation	National/local (also subject to EU)	State/local	National/local (also subject to EU)	National/local	State (including the territories)/ local
Decision maker	Local (elected) authority (subject to oversight of independent Planning Inspectorate).	Varies—from elected officials to independent planning commissions	Local authority (in the context of national and regional planning guidance)	Town Planning Board (authority appointed by the Hong Kong executive)	Local authority (local matters); subject to state oversight & (increasingly) panels of appointed experts
Land use plans	Guiding spatial policy—local plans and neighbourhood plans (if adopted) must be consistent with the national planning framework	Zoning ordinances and development controls Some states have comprehensive spatial plans, implemented by local authorities	Spatial plans, zones, development controls	Spatial plans, zones	Spatial plans, zones, detailed development controls
Development assessment	Discretionary	Limited/no discretion	Mixed (fixed controls, some discretion)	Mixed (fixed controls, some discretion)	Mixed (fixed controls, some discretion)

(continued)

Table 2.1 (continued)

	UK/England	USA	Ireland	Hong Kong/China	Australia
Participation rights	Participation when plans are made and proposals assessed 21 days exhibition/consultation for development proposals No third party appeal rights	Varies (minimum includes exhibition/submission of draft planning regulations and proposed development)	When plans are made and proposals assessed Third party appeal rights	When plans are made and proposals assessed	When plans are made and proposals assessed Limited third party appeal rights (Victoria)
Infrastructure funding/Value capture	Planning 'gain' Fixed levy and provision for negotiated contributions from developers (viability of development considered)	Varies between jurisdictions—'impact fees' commonly required—must be 'nexus' between development and impact fee Value capture enabled in some jurisdictions	Development contributions required as a condition of development approval	N/A (development profit finances infrastructure)	Mixed (from minimal requirements to full cost of local infrastructure provision and some regional items) No direct value capture schemes

(continued)

Table 2.1 (continued)

	UK/England	USA	Ireland	Hong Kong/China	Australia
Timeframes	8 weeks (local planning decisions, 13 weeks for major development) Development must commence within 3 years (after which need to reapply).	Varies between state/local jurisdictions	2 months (development assessment)	2 months (development assessment, including consultation)	20–40 days (development assessment) Permissions expire within 2–5 years but able to be extended
Provisions for affordable housing	Yes, through infrastructure funding mechanism ('s106') in England	Most states allow local authorities to impose 'inclusionary' housing requirements or incentives, or require them to accept affordable housing development	Provision to require affordable homes as part of new development projects ('Part V')	Public housing developed as part of government driven land and housing development process	Minimal, states impose strict limits on extent to which local authorities can use planning mechanisms for affordable housing

Sources: The authors

proposals on merit. Nevertheless, under the Irish system, local authorities maintain autonomy over planning decisions whilst in Australia this autonomy is curtailed by state and territorial governments who can and do intervene in processes of plan-making and development assessment.

All jurisdictions shown use the planning process to coordinate and help deliver local infrastructure and facilities needed to support development, although the approach to determining contribution requirements differs. The UK is distinct in recognising 'value capture' as inherent to the development contributions framework. In enabling only limited mechanisms to support affordable housing through the planning process, Australia appears unique amongst the countries compared here, although practice differs across the Australian states and territories.

Conclusion

This chapter has outlined the evolution of urban planning from an early twentieth century movement through to contemporary systems of urban governance and regulation. Early British town planning efforts epitomised by the idealistic Garden City movement extended beyond building regulations for health, safety and access to define a spatial framework for the location of homes and design of neighbourhoods in relation to the other facilities and land uses needed for social and economic well-being. Whilst slow to bed down, this system enabled local municipalities to plan comprehensively for development within their jurisdictions (replacing ad hoc systems of private control), ultimately promoting certainty for local residents, landowners and investors, and a basis for more efficient and coordinated infrastructure provision. If local planning schemes imposed new regulatory burdens and costs to private landowners and developers for the public good, these costs were generally able to be offset by the values generated by certainty, coordinated infrastructure provision and higher overall amenity. In the USA the 'City Beautiful' movement, in particular, conceived urban planning and civic improvement as a means of wider social good but the zoning system which evolved in that country became an instrument for spatial segregation. The capacity for landowners to use local planning regulations to preserve and enhance the value

of their own properties whilst resisting change (particularly by preventing diverse housing development within residential neighbourhoods), became a defining feature of American suburbia (Fischel 2004). Over time, shifts in ideas about urban form and housing development, and concerns about the environmental and social sustainability of mid-twentieth century approaches to urbanisation (particularly car-dependent suburbia) emerged, and the role of the planning system in facilitating or constraining urban sprawl has come under increasing scrutiny. Similarly, profound structural changes to cities, regions and systems of governance have emerged under the dual forces of globalisation and neoliberalism and are reflected in deepening income inequality and poverty across both the developing and developed world. Thus despite an optimistic and more or less similar starting point, the planned urban interventions and systems of regulation which evolved over the twentieth century in the UK, the USA and other parts of the world, reflect underlying differences in views about private property, the ideal home and neighbourhood and the role of public intervention in the housing market.

3

The Housing System

Having introduced the urban planning system and its modern evolution over the twentieth century in Chap. 2, this chapter turns to a more detailed discussion of housing. Our objective is to provide a working introduction to housing systems and the operation of the housing market for those unfamiliar with housing policy or economics (particularly planners and urban policymakers), and for those researchers seeking to understand their own housing systems in international context. In the first section of this chapter, we elaborate on the concepts introduced in Chap. 1, to explain and decode key features of the housing system, including the social and economic significance of housing, processes of housing provision and tenure, and the drivers of housing demand and supply. We also discuss housing market cycles, sub-markets and measures of market responsiveness and failure. The chapter then introduces key concepts and debates in comparative housing studies, as well as a set of defining housing policy challenges of the twenty-first century arising from inequality; demographic transitions; environmental and climate pressures; and the changing nature of urban life. Finally, a set of key economic, financial and housing indicators provide a basis for examining potential patterns of convergence or divergence in housing and related outcomes across a

selection of countries characterised by different policy regimes and systems of urban structure and governance.

Key Features of the Housing System

As introduced in Chap. 1, the housing system comprises a series of intersecting features and characteristics. We proceed by introducing the social and economic significance of housing before discussing the ways in which housing is ‘produced’ and ‘consumed’, and the dynamic operation of the housing market over space and time. Finally, we consider the types of market failure which apply to housing and the implications for policy intervention.

Social Significance of Housing

It is clear that housing has a social significance which distinguishes it from many other commodities. At an individual level, if one moves to a new city to take up employment or study, the first priority is normally to find a place to live. Similarly, most people would agree that basic shelter is *the* (or one of the) most basic human needs. For example, a recent study of ‘Destitution in the UK’ found that amongst the things which ‘are absolutely essential for people to be able to live’, 96 % of adults agreed that ‘shelter—somewhere to sleep’ was in that category, more than any other item (e.g. food, clothing); and 58 % agreed that going without somewhere to sleep for even one night constituted ‘destitution’ (Fitzpatrick et al. 2015a, pp. 35–36). Similarly in a 2012 UK survey, 94–96 % agreed that ‘heating to keep home adequately warm’ and ‘a damp-free home’ were things which ‘were necessary and which all people should be able to afford and should not have to do without’, again the highest scores of any items included in the survey (Lansley and Mack 2015, pp. 17–20).

So it is not just the existence of housing but also its physical quality and condition which matters, and this is because of the long-appreciated connection between housing conditions and health. As outlined in Chap. 2, unhealthy living conditions in nineteenth century cities in

Britain, Europe and the USA were a primary trigger for public campaigns and programmes to create, rebuild and manage healthier cities through regulations and standards that improved the physical condition of housing. In the twenty-first century, there is renewed interest in the connections between housing, the associated built environment and health, for example, by supporting walking and other physical activity, children's play, informal social interaction, or feelings of security, place attachment and general well-being (Dempsey et al. 2009, 2011).

Whilst these themes emphasise continuing public interest in the social dimensions of housing and its neighbourhood setting, it is also worth reflecting on their importance for private consumption activities and markets, notably the real estate market. Lifestyle choices revolve in part around type and location of housing—city centre loft apartments versus suburban family home versus country cottage. They also bring in train a set of associated decisions, such as the need for car ownership. A house is also (potentially) a home, and is always embedded in a neighbourhood with particular social characteristics and reputation, with particular physical amenities, local shops and services, and schools. To buy or rent a house is a market transaction, but it commits the consumer to a package of 'local public goods'. To put the point another way, housing is inextricably linked to neighbourhood and urban setting, and planning is the public policy tool through which we manage neighbourhoods and urban settings.

This then helps to explain why certain issues about the social composition of neighbourhoods are recurring themes in academic and policy literature about housing and planning, as outlined in Chap. 2. In addition to concerns about the early use of planning codes to design out lower-income groups through restrictive zoning mechanisms (Fischel 2004), there has also been much concern about 'gentrification', the process whereby higher-income/status groups tend to colonise newly favoured or redeveloped areas, and displace lower-income residents and break up their established, supportive communities (Glass 1964; Smith 1996; Atkinson and Bridge 2005). There is further concern about attempts to make such communities exclusive and excluding, through 'gating' and security measures. Conversely, public policy in a number of countries increasingly seeks to promote 'mixed communities', for a range of motives. This is partly a counter to the segregating tendencies of the market, on grounds

of territorial or environmental justice or following the mantra of countering ‘social exclusion’ (Hills et al. 2002; Pierson 2002), partly to promote physical urban regeneration harnessing market investment, and partly to promote a vision of ‘social sustainability’ which emphasises mix and diversity (Dempsey et al. 2009; Forrest and Kearns 2001).

Economic Significance of Housing

It is obvious that housing is important for the economy, although not all the ways in which it is important are necessarily so obvious, and there are significant differences in relative importance between different countries. The housing construction sector is quite important; housing construction/investment as a whole may range between 2.5 % and 13.5 % of GDP¹, with similar shares of employment. The share of the economy is higher in countries with higher demographic and urban growth, such as Australia (6.4 %) or Ireland (8.4 %), than in countries with relatively low growth and output (UK, 3.3 %). However, it may be more volatile in some of the former group—Ireland’s share dropped from 14 % to 2.6 % between 2006 and 2011, as discussed further in Chap. 7. A broader definition of the construction and related property/real estate sectors would account for a somewhat higher share of GDP. In countries such as the UK, which have tended to have lower rates of growth and new construction, there may be quite a high level of expenditure on refurbishment, conversion/extension, and so on (Calcutt 2007; Ball 1996).

Whilst being a substantial sector in the economy may mean that housing construction/development has a significant voice in the government policy arena, this does vary from country to country, partly reflecting the above variations in size. So, for example, we would observe the house-building and development industry having more lobbying power in Australia or Ireland than in the UK. Also, as we argue in a later chapter, having significant lobbying power does not necessarily mean that the

¹ Comparing Sweden and Norway, over the period 1996–2011, from Wilcox and Perry (2014) *UK Housing Review*, Table 8, derived from OECD Factbook 2009: Economic, Environmental and Social Statistics and from National Accounts, OECD StatExtracts.

policies and measures lobbied for are in the best long-term (sustainable) interests of either housing producers or consumers.

Housing is ‘capital intensive’ and involves investment in ‘fixed assets’ which tend to have a very long life and fixed location. Many consequences flow from these characteristics, including the tendency of the sector towards cyclical booms and slumps, the importance of credit and debt and the evolution of distinct tenure forms. Housing contrasts with other economic sectors like manufacturing in being to a large degree tied to a domestic (indeed, a local/regional market)—there is relatively little international trade in ‘houses’, although building materials and some prefabrication systems may be traded. However, demand for housing, particularly as an investment, may be internationally mobile, and there has been growing concern with international investment in residential real estate, particularly in globally significant cities. Housing markets and development prospects will strongly reflect the way regional economies are growing (or declining). How far the quantity, price and quality of housing affects regional economic performance is a moot point, but some would argue that the economic performance of high-demand/housing-constrained regions (London and South East England, Edinburgh in Scotland, Sydney in Australia) may be hampered by inadequate housing supply (Tewdwr-Jones 2012; Buck et al. 2005; Barker 2004).

The interaction of the housing sector with the performance of the macro-economy has attracted increasing attention over the last two decades. As home ownership expanded and mortgage lending became more flexible (particularly from the 1980s), homeowners increasingly used their housing equity as a line of credit to support consumption spending as well as house purchase and improvement. This complicated macro-economic management, because it was found that national savings ratios could change rather unpredictably, exacerbating booms and slumps. Housing, like other forms of real estate is prone to speculative booms and busts, as discussed further, and these may be exacerbated by lax lending standards or the development of ‘sub-prime’ lending and a regime of reduced or no regulation. The wider macro-economy may be further damaged if excessive indebtedness and poor lending practice undermine confidence in the banking sector, as happened in a number of countries during the Global Financial Crisis (GFC) (particularly the period 2007–10). Whilst it may be argued

that underlying economic imbalances between major economies and trading blocs lay behind these problems, the interaction of housing markets and banking systems led to a disturbing and costly ‘meltdown’ and an extended period of very slow recovery, as banks were recapitalised and states imposed austerity programmes to bring their own debt burdens under control.

This experience has not only underlined the economic significance of housing but also pointed to its problematic character. For the countries where housing construction represented the largest share of the economy in the 2000s, such as Spain and Ireland, the crisis and its aftermath have been most traumatic in terms of the fall in incomes and employment, high levels of unemployment and emigration (discussed further in Chap. 7 with particular reference to Ireland). For the UK, housing construction halved, but this represented a smaller share of the economy. However, one feature of the recovery phase in the UK has been the resilience of price levels and the willingness of the government to take measures to boost housing demand, even to the point of seeing prices rise quite strongly in London, in order to promote a positive ‘feel good’ factor in the wider economy and encourage consumption expenditure backed by housing equity. For some commentators, this betrays an unhealthy relationship between housing, the economy and politics (Chakraborty 2016; Elliott and Atkinson 2012; Hutton 2011).

Housing Production and Consumption

Housing is an expensive capital asset, but it lasts a long time. From this essential characteristic stems the fundamental division of tenure, between renting and owning. In the former instance, a third party landlord invests in the asset whilst the consumer has a periodic contract to occupy and use the house in return for paying a regular rental fee. The landlord will typically provide a package of ‘estate management’ services such as insurance, repairs, decorations, cleaning and security of common areas, whilst the tenant consumes ‘housing services’ (as discussed in Chap. 1). By contrast, in the case of owner occupation these roles are combined and potentially blurred. The owner occupier

may pay nothing for the asset if owned outright, but more typically will pay interest and capital repayments to a mortgage lender. The owner occupier may 'self-provision' some of the management functions, whilst still probably paying commercially for certain third party services (e.g. insurance).

In contrast with the renter, the homeowner has two distinct roles and sets of interests in the house—as an investor in an asset, and as a consumer of housing services. The flexibility and resilience which 'self-provisioning' through home ownership offers may bring welfare benefits, particularly in hard times (Fahey and Norris 2011). This is also a reminder that, in large parts of the developing world, informal self-provisioning is the most common form of housing. Similarly, economic policy in many nations is predicated on the expectation that people will own their own homes outright by retirement, thus reducing the need for income and support in their old age (Beer and Faulkner 2011). Research also points to the broader well-being effects of home ownership, which include reports of increased life satisfaction, psychological well-being and civic engagement (Rohe et al. 2013). However, it should be noted that such studies usually pertain to countries where home ownership is prevalent and culturally valued. Further, some research indicates that negative impacts arise when home ownership payments are unaffordable and contribute to a psychological burden, implying that policymakers must be careful to avoid 'overselling' the benefits of home ownership for low-income groups (Rohe et al. 2013).

Within owner occupation, the main sub-distinction is between owners who have a mortgage and those who do not, for example, retired people who have paid theirs off, or people who acquired their house through inheritance or gift. However, in renting, the traditional distinction in the twentieth century has been between 'public' housing and 'private' landlords. Although renting from a private individual or company was prevalent for low-income households until the early twentieth century, in the post-war years the public sector became heavily involved in housing provision in many countries. Typically, this public sector involvement was a response to crises arising from wars and poor urban housing conditions. Public housing might be provided by local authorities, specialist arms' length agencies set up by governments, or voluntary non-profit

organisations; typically it provides secure, decent housing at less than market rent to households in need with relatively low incomes. By contrast, private rented housing is let at market rents to (almost) anyone, although there is significant variation in the extent to which tenancy terms and lengths and rent increases are regulated. The predominant story of the recent period has been one of a decline in the scale of public (more commonly now termed 'social') housing and a renewed expansion in private renting, as owner occupation has become less affordable. Often formerly public housing has been sold at a discount, or even given away, to its occupiers (most dramatically in former socialist countries of central and Eastern Europe, and in mainland urban China).

The actual construction of houses is, in the industrialised world, largely the preserve of specialist construction companies, even where the client is a public or social landlord. However, the way in which construction relates to the ultimate customer, which we may term the 'development process', varies markedly between different cases and different countries. There is generally a marked distinction between 'single family' (detached) housing and 'multi-family/unit' housing (flats/apartments, terraced or row houses, semi-detached or duplex). The former case permits individual households to buy a plot of land from a landowner/developer, and to erect or procure a house themselves (self-build, self-promotion, or buying a 'kit' or 'catalogue' house)—a process that still operates in places in Australia, New Zealand, USA or elsewhere, particularly in more rural locations. The multi-unit housing types, which are more characteristic of urban locations where higher densities are required, tend to require a coordinated design and construction process across the whole scheme, implying that the housebuilder/developer undertakes the whole process. Another important difference is that, in the former case, new housing supply can be drip-fed in units of one, depending on demand from customers, whereas multi-unit housing tends to have to be built in whole blocks at a time. If developers are confident about a strong market, they may build such blocks 'on spec' and hope to sell them when they are ready; when the market is slack, or when banks are more cautious in the way they lend to builders, they will try to get a majority of units on a block sold 'off plan' before commencing construction. Of course, a lot of multi-unit housing schemes are built to order for social landlords or

(less commonly) private/institutional landlords, and as we discuss in later chapters, increasingly schemes entail a mixture of ownerships and tenures.

Overall, comparative studies of housebuilding development processes suggest that there remains considerable variation, but that the single family dwelling/individual plot process of development is tending to give way to a more organised speculative development process, even in countries which previously championed the former (Barlow 1993, 1995). Reasons for this include planning policies to encourage more medium and higher-density housing (more compact, less sprawling cities), including the so-called growth controls, 'smart growth' or urban containment policies, 'brownfield land' reuse priorities (Adams and Watkins 2002) and greater requirements on new housing developments to contribute to the costs of physical and social infrastructure. These changes may also have exacerbated another feature of housebuilding, which is that 'supply' (the decisions by housebuilders to commit to building new homes) is very dependent upon firms' perceptions of future market prospects, which are inherently risky and uncertain.

Housing Market Instability

Stories about house prices always seem to attract a lot of interest in the media. With a majority of households in most countries being homeowners, and thereby having a stake in the market, and with people's homes often being their largest and possibly their only piece of wealth, it is not surprising that there is this interest. High and rising house prices are seen as a symbol of rising wealth and economic success, a generator of the 'feel good' factor. There is a rational economic argument which says that people are not better off when house prices are higher, but it is very hard to persuade most homeowners of this fact. It is true that homeowners who have successfully ridden a housing boom may emerge with more wealth and more options (e.g. to borrow more or downsize and spend the proceeds on a yacht) than people who did not own their home; but homeowners often have to spend more on their housing early in their housing career. From society's point of view, higher house prices mean more young people are priced out of the market, forced to stay

in insecure and expensive private rented housing, unable to accumulate wealth or remain longer in the parental home (Barker 2004). Overall, people can afford to consume less housing in a high-price country or region, whichever tenure they are in, and in that sense they are worse off (Cheshire and Sheppard 1989, 2002).

Because of the public interest in, as well as the macro-economic significance of, the housing market, much effort goes into monitoring, modelling and forecasting it. The main drivers of demand and supply, the so-called market fundamentals, are pretty well understood, but there remain some areas of controversy. Housing demand (and hence house price) is driven by demographics (population and households), incomes, and the availability and cost of credit (interest rates) (Meen 2001, 2011; Muellbauer and Murphy 1997). The less certain elements on the demand side include how people form expectations (for future price changes) and how much they take account of these. This is partly related to the extent to which house-buyers have an 'investment' motive rather than a 'housing consumption' motive.

On the supply side, it is important to recognise that supply changes not only through additions via new building but also through conversion and refurbishment, whilst being reduced through demolitions, but that the combined effects of all of these in any year amount to a small proportion of the total housing stock—typically 1–2 % per year. Most elements of housing supply, including new building, respond positively to house prices and negatively to interest rates. However, even if supply were very flexible and responsive, it would be difficult to adjust the total stock to reflect a large change in demand. In practice, in many countries (notably England), housing supply is relatively unresponsive ('inelastic'), and this is generally accepted as contributing to a situation where house prices are not only relatively high, but also very volatile (Bramley et al. 1995; Barker 2004; Stephens 2011).

A combination of sticky housing supply and a demand for housing which may be fuelled not just by fundamentals of income and household numbers but also by psychological factors and sentiments, backed up by easy access to credit, is clearly a recipe for instability. In particular, there is a danger that housing booms may be fed by the fact that there is an investment motive as well as a consumption motive in buying housing.

This may lead to episodes when speculative (or precautionary) investment takes on a predominant role in the market, creating a potential bubble, as price rises have a positive rather than a negative feedback effect on demand. However, bubbles eventually burst, and may be followed by crashes, or at least extended periods of a slump in market activity when transactions are few and people find it difficult to move, with complications of negative equity and potentially higher risks of default and repossession. Chapter 7 illustrates a particularly serious example of this, the case of Ireland.

This volatility creates a number of adverse consequences, both for the macro-economy and for people and the housing system, including inequalities of wealth and access to housing, encouragement of speculative behaviour and ‘over consumption’ of housing (Dorling 2014), dysfunctional markets (e.g. negative equity preventing people from moving), and risks of default (which can have a potentially devastating effect on the banking and financial systems, as in the USA where the sub-prime mortgage crisis fed into the wider GFC from the mid-2000s). Households excluded from home ownership in their thirties will miss the benefits in post-retirement years, and may end up with more risk of poverty and greater claims on state assistance in old age. Volatility also exacerbates the problems of inadequate and unresponsive supply, because as we noted earlier housebuilder decisions are strongly influenced by expectations, and experience of the disastrous impact of previous downswings on housebuilders has led to a very cautious approach and a reluctance to overcommit. Based on this analysis, a special taskforce on the UK housing market (Stephens 2011) recommended measures to enhance supply in the longer term, whilst seriously considering credit controls and tax reforms alongside measures to protect borrowers through a joint public/private form of insurance and better regulated lending in the short to medium term.

The UK is not the only country to experience serious housing market volatility but also the form of volatility can differ significantly. One of the countries examined more closely in this volume, Ireland, experienced extreme volatility in *both* housebuilding supply *and* house prices. A similar phenomenon occurred in regions of Spain where speculative housebuilding did little to appease rapid price inflation during the lead

up to the GFC, but left a massive oversupply of dwellings when the market suddenly collapsed (Fernandez-Tabales and Cruz 2013; Romero et al. 2012). This underlines that the role of housing supply in volatility is not as simple as a textbook diagram of ‘inelastic supply’ might suggest. There is a need to understand the characteristics of the system as a whole in each country (Stephens 2011b; Whitehead et al. 2014).

Geographical Unevenness

Housing markets can behave differently and follow different trajectories in different countries, but there can be similar or greater unevenness between different regions, cities and localities within the same country. In other words, there is a geography of ‘space’ and ‘place’ in the housing market, and that is true whether considering a snapshot of the state of the market at a point in time or a trajectory of development over time. These differences will reflect the uneven economic fortunes of different regions and cities—the runaway success of California’s Silicon Valley, contrasted with the decay and abandonment of Detroit and some other US ‘rust-belt’ cities, for example (Galster 2012). Economic activity and dynamism shifts over space, but housing is spatially fixed and supply adjustment is sticky—it is difficult to downsize a housing market rapidly, and it tends to involve unattractive features such as dilapidated or abandoned housing. For different reasons, much explored in later chapters, it is difficult also to expand housing supply rapidly, and perhaps especially so in an ‘attractive’ region.

Explaining geographical differences in economic performance and their cumulative nature is a whole discipline in its own right (economic geography), beyond our scope in this book. However, we are concerned with not just the effects on the housing market, which can be large, but also with highlighting one particular feature of the interaction between housing markets and regional/local economies. In general, markets have self-correcting properties, and in this case one might expect that high housing prices in favoured cities and regions would increase the labour and property costs for businesses to such an extent that they would relocate activities to cheaper locations, so leading to an equilibrium without

massive and ever-increasing regional disparities. Whilst these processes do operate to some extent, the worry is that, because of the investment motive in housing, this might actually accentuate the disparities in the long term—managers and skilled workers want to maximise their housing investments and avoid the risk of getting stuck in a poorly performing region (see debates about home ownership and labour mobility in Blanchflower and Oswald 2013; Van Ewijk and Van Leuvensteijn 2009).

Geographical unevenness also applies at a finer spatial scale, at the level of districts and neighbourhoods within cities and regions. There is a conventional and well-understood set of relationships between housing and property markets and ‘space’, understood as the spatial relationship between particular points in space and key ‘attractors’ or features which affect the utility value of living at particular locations. As the sub-discipline of urban economics and its conventional tools such as ‘hedonic price models’ demonstrate, there are predictable relationships of house prices with distance from central business districts or other key destinations and transport hubs/networks, as well as with greenspace and other urban amenities located in close proximity (Leishman 2003). But it is clear that there are also other elements to the more elusive concept of ‘place’ which are also important—the quality of the architecture, the maintenance of the buildings and streets, the variety of buildings, their historical and cultural significance, the distinctiveness and variety of the shops and cafes, and the ‘ambience’ of the local public realm. Positive qualities of this kind can become part of a positive feedback loop through reputation, locational and lifestyle choices, so reinforcing a gathering strength of reputation for quality of life, or vice versa.

However, quality of place can be a double-edged sword. The ‘price’ of success is likely to be a rise in property values, which may price out some people and ultimately reduce diversity, whilst attracting commercial real estate developers or large retail chains whose bland products may reduce place distinctiveness. Processes of this kind, especially when actively encouraged and facilitated by planning and regeneration schemes, have attracted widespread criticism for promoting ‘gentrification’ (as mentioned earlier) and thereby excluding and expelling the poor and disadvantaged. There is much literature in human geography on this phenomenon, most

of it highly critical (Smith 1996; Atkinson and Bridge 2005). However, a more nuanced view would be that processes of urban regeneration, involving physical investment and upgrading and some changes in the social composition of neighbourhoods are probably an inevitable part of urban life and bring with them a mixture of potentially positive and negative effects for different groups. The overall balance sheet will depend upon the circumstances, whilst the distributional impacts will depend upon the rights of the people affected, including in terms of housing tenure and welfare/social entitlements (including the existence of inclusionary housing programmes as discussed in later chapters), as well as collective rights to participation and voice in the planning process. A good example of this more nuanced debate may be found in literature assessing experience with the 'Housing Market Renewal Programme' in England between 2004 and 2010 (Ferrari and Lee 2010; Ferrari 2012; Lee 2013; Rosenfeldt 2013).

Market Failure

Just as in economic history people talk of 'long waves' or cycles in economic activity, there are perhaps long waves in terms of ideas and beliefs about economic institutions and policies. We would argue that we have now passed through two long waves since World War II, the first (from World War II to the late 1970s) was characterised in Western industrialised countries by large scale active state involvement in a mixed economy (including in housing), Keynesian macro-economic management to achieve full employment and growth, extensive state regulation of markets, and a growing welfare state funded by quite high levels of taxation.

The second, from about 1980 to about 2010, was characterised by reduced direct state involvement in an increasingly privatised and marketised economy, more limited macro-economic management focussed more on stable monetary frameworks and fiscal rectitude (but higher risks of unemployment), less regulation in markets, and attempts to maintain a large welfare system alongside lower taxation levels by a combination of a mixed economy of provision, 'service reform' and introduction of 'quasi-markets' or 'outsourcing'. In this second phase, direct state involvement

in housing provision lessened and housing became more predominantly marketised, although this was a bigger change for some countries (e.g. Central and Eastern Europe, or Scotland) than for others (e.g. Australia). The changes in this second phase were strongly reinforced by the rise of 'globalisation', the combination of technological and regulatory change that exposed most countries to much more open competition in many markets across a global scale, and the consequent large scale economic restructuring resulting (e.g. as labour intensive manufacturing relocated to low-wage regions or shifted to more automated processes). In this second phase, belief in the efficacy of markets was at its zenith, and came to be shared not just by traditional parties of the right and 'economic liberals' but also by parties of the social democratic 'left' (Bramley et al. 2004, also discussed in Chap. 1).

The bundle of political and economic reforms introduced over this time is typically referred to in shorthand as 'neoliberalism', sharing an emphasis on reducing government intervention in markets through deregulation, state divestment, privatisation and marketisation of assets and services, although the manifestation of neoliberal reform has taken different shapes and trajectories in different places (Brenner and Theodore 2002).

It is not yet clear that this second phase has ended. It was certainly punctuated by the financial and banking crisis of 2008–09 which morphed into the great recession and then the sovereign debt and Euro crises of 2010–12 and current discontents around the politics of austerity. These crises, particularly the first, demonstrated that markets could not always be trusted to work benignly with no or only 'light touch' regulation (Stiglitz 2012). The belief in markets as a universal panacea, that governments should only interfere with at their peril, has been punctured to some extent. The dangers of a 'race to the bottom' in tax rates have become more apparent, as it has been shown that disappearing tax revenues are as big a fiscal problem as escalating public spending, and as the scale of tax evasion and avoidance by both corporates and individuals has been exposed (Shaxson 2011). It has also become more acceptable to talk again about inequalities in income and wealth and whether recent trends towards extreme inequality are sustainable (Picketty 2014). Informed and political discourse across a fairly broad spectrum is once again adopting a potentially critical stance towards markets, deregulation, low taxation

and fiscal orthodoxy. This point of view is not necessarily dominant in governments in many countries, but there is at least a much more lively and critical debate about markets.

In this context, it is perhaps timely and appropriate to revisit and dust off a well-established and respectable tradition in economic thought, which goes variously under the labels of the ‘(Pigovian) welfare economics’ (referred to in Chap. 2) or ‘market failure’ paradigm (for accessible accounts, see Hill and Bramley 1986; Le Grand et al. 2008). This tradition accepts that markets are efficient and that this is socially desirable, but only under certain conditions, which are often infringed.

Competitive Markets and Market Efficiency

A central proposition of mainstream economics is that a *perfectly competitive market* will produce an efficient outcome. This is a rigorous logical model which deduces this finding from its premises/assumptions about behaviour—therefore, to critique it, you need to question the assumptions. The following paragraph attempts to summarise this theorem in an extremely non-technical fashion.

By a chain of reasoning, it is argued that consumers will demand the amount of a good equates the price paid with the marginal benefit to them of one extra unit. By another chain of reasoning, producers will make and sell goods up to the point where price equals marginal cost to them. In market equilibrium, quantity demanded and supplied are equal, and the common price equates marginal benefit and cost. This means that the market is efficient!

The main *assumptions* of this model are the following:

- *Many sellers* and buyers—free entry, contestability, no monopoly or cartels
- No *increasing returns* to scale
- No *externalities*—where production or consumption by A affects the welfare or cost of B, other than through normal market prices (e.g. pollution)
- Not a ‘*public good*’ (defined as non-excludable/non-rival)
- *Homogeneous product*, for example, wheat and widgets

- *Supply can respond* to demand
- *'Perfect information'*—about quality of products, alternatives, future conditions
- *Acceptable distribution* of income/wealth and of outcomes in this particular market.

This approach then goes on to argue that there are logical links between particular types of market failure and particular types of policy intervention—'horses for courses'. For example, suppose there is a monopoly, perhaps because of economies of scale; this is commonly the case with 'utility' services such as water, power or telecommunications, particularly because of the high cost of the distribution network and the resulting 'incumbent advantage'. Monopoly suppliers tend to produce too little, pay insufficient attention to quality, whilst charging too much so they can make excess profits. Solutions may include 'anti-trust' laws and interventions, regulation of prices and standards, or the use of technology to enable competition in supply over common regulated networks (as now applies to energy and telecommunications). To take another example, as discussed in Chap. 2, 'externalities' entail environmental or social effects from consumption or production activities which impinge on third parties, for example, air or noise pollution or parking/congestion problems on streets associated with industrial activity, or problems of overlooking/overshadowing created by homeowners' house extensions. Economics frames the externality problem as being one of a divergence between private and social costs or benefits, and this colours some of the recommended solutions (e.g. taxes or subsidies), along with recognition of the importance of property rights (Needham 2006 provides a clear exposition of the scope and limitations of 'private law' solutions to such problems, and the case for planning as a public law solution, also discussed in Chap. 2).

Market Failures and Remedies in Housing

It is interesting to think through which types of market failure apply to housing, and to what degree and what this might imply for intelligent, well-targeted policy interventions. Table 3.1 attempts to do this in a systematic way.

Table 3.1 Market failures, application to housing and policy responses

Assumption violated	Does this apply to housing?	Housing policy responses
Many sellers competing	Generally, a competitive market. Possible local monopoly of land Possible market dominance by particular land/housing producers. 'Monopoly' of Social Rental housing (SR) by government housing authorities	Government inquiries (e.g. competitiveness of industry). Deregulation of finance sector (e.g. mortgages). Stock transfer and promotion of 'third sector' non-government housing authorities e.g. Housing Associations (HA's)/ Registered Social Landlords (RSL's) (Britain)
No increasing returns to scale	Some scale economics in SR provision. Indirectly via infrastructure	Grant rates. Encourage social landlord mergers. Development Corporations (to facilitate large scale housing and urban development)
No externalities (spillover effects)	Public health hazards of slum housing. Neighbourhood dis-amenities of rundown or congested areas. 'Obesogenic' environments	Regulation of minimum housing standards (fitness, multi-occupancy). Subsidies (renovation grants). Area renewal schemes. Planning 'sustainable' neighbourhoods
Not public good (non-excludable, non-rival)	Public spaces in residential areas. Crime and disorder problems	Design guides. Laws of tenement. Localised housing management
Homogeneous product - Supply can respond	All housing distinct, spatially fixed. Wide price/rent variations. Inelastic supply, price booms/slumps	Planning policies for new housing, including overall numbers, location, type. Tax and interest rate policy. Public/subsidised provision of SR and low-cost home ownership products

(continued)

Table 3.1 (continued)

Assumption violated	Does this apply to housing?	Housing policy responses
Perfect Information— Quality of product— Availability of alternatives— Foresight re future conditions	Structural condition & future maintenance of housing. Mortgage/financial products. Financial safety nets	Information packs (condition report of housing). Professional codes. Information and Advice services. Mortgage Codes and Regulation. Insurance products. Housing Allowances. Financial education
Acceptable distribution— income/ wealth—specific outcomes	Widening inequalities of income. Housing fuelling wealth divergence. High consensus re minimum housing standards	General tax and benefits systems. Housing Benefit. 'Affordable social rents'. Subsidies for low-cost home ownership products. Needs-based allocation and homeless persons legislation

Source: the authors

Nearly all categories of market failure apply in some degree, but some are more important. However, in housing the dominant arguments tend to be to do with distribution (equity/fairness and minimum standards). As inequality has widened in recent periods (especially in the USA and to some extent in the UK), affordability problems appear to have become more intractable, and this concern about equity or fairness in the housing market has been reinforced. However, the types of interventions governments are willing and able to make in the housing market are changing.

Externalities (especially public health) were historically important. Today, they are rather more marginal in most developed countries, although there is renewed interest in the health effects of neighbourhood environments through mechanisms like active travel and social interaction (part of the wider 'social sustainability' concept in planning). The supply response argument was important for many nations historically, post-World War I and World War II; but forgotten about post-1975. In countries such as the UK, where levels of housebuilding flattened or

fell during the 1980s or 1990s, supply was then dramatically rediscovered with the Barker review in 2004 and is a continuing priority issue in England in the 2010s (discussed further in Chap. 5). Information problems are of growing importance, particularly in the area of mortgage finance, as underlined by the recent crisis (especially the US sub-prime debacle) as well as earlier episodes.

To sum up, housing is not just another commodity, best left entirely to the market; even though it is not fully or largely part of welfare system either, in contrast with healthcare and education. Governments are likely to concern themselves with a wide range of potential market failures relating directly or indirectly to housing, although the forms of intervention will often be indirect and regulatory, or reliant upon better-informed consumers. The particular interventions which may be effected through planning are discussed further in Chap. 4.

Comparison of Housing Systems and Policies

In Part II of this chapter, we move to compare housing systems, policies and outcomes across a range of industrialised countries, drawing out both commonalities and differences. We start by considering the challenges facing housing systems and how these are changing. We then look at some of the ‘big ideas’ in comparative housing research and particularly theories about ‘convergence’ versus ‘path dependence’ and about ‘welfare regimes’. After reflecting briefly on the contrast between housing issues in developing/rapidly urbanising countries and the mature industrialised countries which are our main focus, we conclude the chapter by looking at summary empirical measures of housing outcomes across the latter countries.

Challenges Facing Housing Systems

As signalled in Chap. 1, we identify several overarching challenges which face housing systems today and for the foreseeable future. The first concerns poverty and the distribution of income and wealth—which we

identified earlier as the primary motivator of government involvement in housing. The second concerns demographics, particularly the implications of migration and ageing. The third challenge comes, of course, from concern about the environment and climate change (both mitigation and adaptation). The final challenge is to find and implement models for urban living which are sustainable in all ways.

Inequality

All governments tend to have a headline housing policy worded roughly as follows: 'A decent home for all at a price within their means'. This sums up the dimensions of the housing problem to be solved: quantity, quality and affordability. If incomes were completely equal (adjusted for household size), and assuming housing standards were set at a sensible level relative to the general economic level of the society, then there would be no housing affordability problem. The more the distribution of income becomes unequal, the greater the housing affordability problem to be tackled by some form of intervention in the market, if all households are to have the minimum decent standard of housing whilst not suffering other material hardships or financial stress (Bramley 2012).

Variations in housing needs, for example, through family size or disability, and/or geographical variations in the market cost of housing, may exacerbate shortfalls without further intervention. Intervention may take the form of rent regulation, publicly subsidised provision or a financial housing allowance. Many countries have tried all three at different times, the UK in roughly that order since 1915. It could, in theory, also take the form of intervention to change the distribution of income, whether the primary distribution of earned incomes ('pre-distribution') or the distribution after taxation and social security transfers. Governments in Western countries have become more reluctant to engage in the former, through formal incomes policies or compacts with 'social partners', although this is probably a significant area of difference between countries. Most governments employ progressive direct taxation and social security systems to ensure a significant degree of progressive redistribution (from richer

to poorer), but there is a growing reluctance to use highly progressive income taxes because of globalisation and international competition.

Inequalities have generally increased since the 1980s across most of the advanced industrialised countries, as documented by the Organisation for Economic Co-operation and Development (OECD) (2011, 2014) and others. In 17 out of 22 OECD countries inequality increased, with an average rise of 10 % in the standard 'Gini index' measure². Even in countries which are relatively more equal the top 10 % receive incomes six times higher than the bottom 10 %; in countries such as the UK, Italy, Japan and Korea this ratio is around ten times, whilst in the USA, Israel and Turkey it is 14 times. The most important contributory factor is greater inequality in wages/salaries, especially runaway growth in the top 1 % and 10 % groups; contributory factors included the high demand for key ICT skills, deregulation of labour markets, the decline of unions and collective bargaining, and the rise of two-earner professional couples. Tax and transfer systems became somewhat less redistributive in this period, but managed to reduce overall inequality by 25 %. Wealth is always unequal and has become more unequal still (Picketty 2014) and this contributes to income inequality whilst interacting with the housing market. With housing being the major asset for many households, differing levels of housing wealth is a major factor in overall inequality.

Through the period of crisis and recovery, pre-tax/transfer incomes became yet more unequal, with dramatic increases in Greece, Ireland and Spain in particular, according to the 2014 OECD update. Tax and transfers generally helped to cushion impacts to a large degree in many countries, however. Across most countries, there has been a striking shift of poverty away from the retirement age groups but increasing greatly in the younger adult age group. This is especially apparent in poverty 'after housing costs', which correlates with the widespread phenomenon of increasing difficulty for young generations to access home ownership.

It has also become more 'respectable' to talk about inequality and its negative impacts on society and the economy. Picketty (2014) provides

²The Gini coefficient essentially measures half the difference between every individual income and the average, thus measuring the share of total income which would have to be redistributed to achieve complete equality.

an authoritative historical account of wealth inequality in France, Britain and the USA, and some other countries, and effectively punctures the widely believed ‘Kuznets thesis’ that inequality inherently tends to rise in the early industrialisation/urbanisation phase but then fall in the later industrial/post-industrial phase. Picketty shows that it was world wars and drastic government interventions in their aftermaths, including consequent inflations and high tax levels, which brought down inequality from its ‘gilded age’ peak in 1914 to the moderate levels of the 1950s. Since then, there has been a gradual but insidious tendency towards growing wealth inequality, accelerating since 1980. Picketty offers a very simple model to explain this: if the rate of return on capital exceeds the rate of growth, concentration of wealth will increase; and if (as seems very likely) larger concentrations of wealth have better access to higher rates of return, and better ways of avoiding tax, all the more so.

Wilkinson and Pickett’s (2009) *The Spirit Level* put forward and popularised the view that inequality is actually bad for societies; that more unequal societies actually do less well on a wide range of social outcomes. They claim that inequality is very bad for health, particularly mental well-being, which impacts also on physical health; also that inequality feeds crime and fear of crime, weakened social interactions, trust and ‘social capital’. Marmot (2015) has particularly developed the argument about health and inequality. There is quite a strong link between some of these arguments and the growing literature on the economics of ‘happiness’ (Layard 2005). It has also been argued that inequality is actually bad for the economy, contrary to the prevailing ideology of the last 30 years or so (IMF 2014). In part, this is a rediscovery of a Keynesian perspective from the 1930s and 1940s—underconsumption by the rich. In part, it is also a reflection on the experience of the 2008–10 financial crisis, when it became apparent that the reward and incentive structures in banking and finance were such as to encourage reckless risk-taking with other people’s money and rewards for failure as much as success.

These inequalities challenge the housing system through at least three routes. Firstly, a growing share of the population towards the bottom of the distribution, particularly in the younger age cohorts, will have inadequate incomes to meet the market cost of adequate housing. Thus, they are at risk of experiencing various forms of housing need (unable to form

a household, buy or move, sharing, overcrowding and poor conditions) and/or facing financial stress and risk, or material deprivation in terms of non-housing consumption (Bramley 2012). Secondly, to the extent that the system of housing subsidies and allowances recognises these problems, then the cost to the state will rapidly escalate. Thirdly, at the upper end of the income and wealth distribution and perhaps particularly amongst older age groups, there is excess purchasing power which is being invested in housing real estate, whether by increasing size and quality of housing occupied, second and holiday homes, help to family members to buy or as investments (buy-to-let, or simply buy-to-leave). The last factor inflates demand, particularly in capital cities and other hotspots in the market, without contributing much to the supply side of the equation, thereby further pushing up prices out of reach of the younger group on lower incomes. At the top end, there is international capital movement from riskier to safer capital cities (e.g. from Russia and Greece into London), further inflating particularly overheated centres, which exert an influence on prices across a much wider region. The interest of better-off middle-aged and older households in buy-to-let investment reflects both general trends in income/wealth distribution but also post-crisis disillusion with low interest returns to savers, other financial investment products available and pension changes. Recent trends in this respect make the UK more similar to countries such as Australia and New Zealand, which already had large 'mum and dad' investor private rental sectors.

Demographics

It is widely understood and accepted that demographic changes and trends are very important for housing, whether in terms of need or demand, social provision or trends in the market, and demographic projections have long played a central role in planning for housing. It is also true that some aspects of demography can be predicted quite a long way into the future with reasonable confidence; for example, nearly all of the people who will be forming households in 20 years' time have already been born. Three aspects, however, are less certain, and more sensitive

from a policy point of view. These are household formation, migration, and the health and dependency status of the oldest age groups.

Housing need and demand depends more directly on numbers of households than on population numbers, and the propensity of a population to form separate households is a significant variable in its own right. Whilst the patterns across age groups are mainly fairly stable and predictable, for younger adults there is considerable variation, and strong evidence that this relates, in part, to economic factors such as income, unemployment and house prices/rents, as well as possibly to the effective availability of housing in the region (Bramley et al. 1997, 2010, 2014; Ermisch 1999; Meen 2011). This susceptibility to economic influences has been confirmed by some recent work on post-crisis patterns in the USA (Lee and Painter 2013; Dyrda et al. 2012; Paciorek (2013). Patterns of marriage/partnership formation/dissolution and fertility are also changing, and whilst these may be characterised as social trends they also may not be uninfluenced economic factors; there is evidence of poverty effects here, and these may interact with benefit systems (Bramley et al. 1997, 2014).

Migration is probably the most uncertain, and certainly now the most controversial, aspect of demographics affecting housing. Domestic migration between localities and regions is a major factor determining population and household growth at the local level, and one which raises issues about how it should be forecast/projected in a planning context—an issue discussed further in Chap. 10. However, international migration is of large and growing significance in many countries, and tends to be a more politically charged issue. In the UK currently, and in some other European countries, international migration is the main driver of household growth (e.g. net migration of 250–350,000 persons per year, projected household growth of 215,000, housing construction of about half of that currently in England). A critical difference between population increases via immigration in comparison to natural birth rates is that adult migrants typically present an ‘instant’ household, with implications for housing demand.

Migration can be politically unpopular; because of concerns about ‘crowding’ of cities and services, urban sprawl into rural areas, competition for jobs, differences in language, culture and religion at the local scale. But international immigration is also regarded as a potential contributor

to economic growth and a solution to the problem of an ageing population. Any issue touching on race/ethnicity tends to be very politically sensitive. However, the world is becoming a more mobile place, with cheap air travel and the internet facilitating the process, a by-product of globalisation. People are moving from different regions for different reasons—work, study, family, retirement, to escape conflict or destitution. There are different rules and rights affecting different groups—for example, the right to free movement of labour within the EU, or the rights of refugees under UN conventions—but also a good deal of ‘leakage’ in the form of illegal or undocumented migration status. In short, implications for housing demand arising from migration remain difficult to predict. Further, it is usually the case that the level of government responsible for planning for housing is far removed from the national policy arena governing population policy.

One of the most remarkable features of the demographic data is the very large and continuing increase in life expectancies. This is contributing to population and household growth, particularly the growth in smaller households as part of the broader phenomenon of ‘ageing’. However, at the same time, there is a change in both popular and official perceptions as to what counts as being ‘old’. People in their mid-60s are on average healthier and more active than their equivalent 20 or 30 years ago, and they are certainly on average much more affluent and able to enjoy a wider range of leisure activities. Retirement ages are generally now rising, whilst also becoming more flexible—this is partly necessary to avoid state pensions systems being bankrupted. Whilst for some 70 may be ‘the new 50’, there is still great variation (part of it correlated with socio-economic status) in the health status of older people, and a significant proportion will face an extended period of dependency and need for care towards the end of their life, albeit this may happen at a greater age (Hills 2015). The evidence suggests that on the whole this period of dependency is not diminishing, and so the wider issues of how to manage the process (‘ageing in place’ versus institutional care) and how to fund care and support (taking what account of accumulated wealth, including housing equity), are facing governments and service providers in most countries. Similarly, a major question for the housing system in many countries is the extent to which the housing stock matches demographically defined housing need. In many countries, there is periodic anxiety over whether older ‘empty

ners' will move to smaller housing units, 'freeing up' larger homes for young families. However, with market preferences increasingly shifting towards accessible, inner urban locations and away from car-dependent suburbia, there are equal concerns, particularly in the USA, that larger housing stock will become redundant (Nelson 2009).

Environment, Climate and Urban Living

Environmental concerns in general, and climate change in particular, are longer-term issues. These issues match well with the orientation of planning and housing development, but less well with the preoccupations of politicians who face elections every 3–5 years, and for whom 'the economy, stupid' is very often the most pressing issue. Yet as the 2015 Intergovernmental Panel Report (IPCC 2015) reminds us, there is less doubt and more urgency than ever about action to tackle and limit climate change, as well as adapting to it. Climate change and CO₂ emissions will be central to any definition of 'sustainable development', and that term itself is now increasingly embedded in planning law and practice (DCLG 2014).

This is a challenge for housing, first and foremost, because housing is a significant contributor to CO₂ emissions, through its domestic energy consumption. Ambitious commitments to regulate new building up to low or zero carbon standards in the near future have been argued to threaten the viability of many planned developments and may initially hamper recovery of construction activity. However, in the longer term one would anticipate that with greater experience and economies of scale the new standards will become more affordable. It is also a challenge, secondly, because of wider environmental, and to some extent social and economic, aspects of sustainability and what they imply about the location and form of new housing development. As outlined in Chap. 1, a strong strand of planning thinking since 1990 has favoured urban containment in the form of 'compact cities', 'smart urban growth', 'urban renaissance' and similar mantras, motivated primarily by seeking to reduce carbon emissions and other forms of pollution associated with high car dependence in more traditional suburban or exurban developments, but bolstered by arguments about social and economic sustainability

(Jenks et al. 1996; Adams and Watkins 2002; Jenks and Jones 2010). There was in fact a significant policy shift towards more compact, urban brownfield development in the 1990s and 2000s, in the UK, the USA, Australia and a number of other countries as outlined in Section 2, but whether this can be sustained in the post-recession drive to increase numbers is questionable, and there is certainly a strong resistance to intensification (e.g. ‘garden-grabbing’) in many quarters.

Approaches to location, urban form and design of new housing are influenced by this line of argument about sustainable transport, but also by other aspects of environmental, social and economic sustainability (Jenks and Jones 2010), posing significant challenges for urban design, particularly in an economic climate where demand and viability are somewhat uncertain. How to produce new housing neighbourhoods which are at the same time sociable yet equitable, safe yet vibrant, open not gated, attractive but affordable; that is a good design challenge! As noted in Chap. 2, the new urbanism movement which emphasises mixed land uses, walkability and neotraditional forms of urban design, struggles to deliver against objectives for affordable housing and social diversity (Talen 2010). Similarly, how to get existing communities to agree to a redevelopment, intensification or extension of an existing community is an equally big challenge for planners working within a political ideology of localism and consultation (Adams and Watkins 2002; Gallent and Tewdwr-Jones 2007).

Key Challenges and Concepts in Comparative Studies

One is always struck, when attending international conferences on housing, by the similarity of the issues facing planners and policymakers in different countries. In other words, the key challenges as sketched earlier affect the housing and planning policy systems in all industrialised countries, to a greater or lesser extent. They have changed somewhat over time, of course—in earlier eras key challenges included organising and delivering post-war reconstruction, providing housing for workers in new industries, and replacing slum housing. Nevertheless, whilst particular

issues may affect particular countries, the general issues sketched out earlier would probably be a common agenda across many at the present time.

However, similar issues do not always lead to similar policy approaches and solutions. There have been and remain quite large differences between countries in how housing is provided, financed, regulated and managed, including most obviously differences in tenure structure, but going to a deeper level of subtlety in terms of degrees and types of regulation, governance, funding and so on. That should not be surprising, given a little reflection; as we showed when referring to the welfare economic paradigm of market failure and policy interventions in Table 3.1, there are different, alternative policy solutions to particular market failure problems. Different countries have chosen different policy responses to housing and other social policy challenges. The question is: are these differences random, or is there a pattern to them, if you care to look? The main thrust of comparative housing studies, and somewhat wider comparative social policy studies, is that there is a pattern, and you can make sense of it in terms of a broader theory about how societies manage the governance and reconciliation of economic and social interests.

Welfare Regimes

The most influential contribution here has been the work of Esping-Andersen (1990), who posited that in the advanced capitalist countries welfare states had evolved into three characteristic regime types which he labelled (1) 'Liberal', (2) 'Corporatist-Statist' and (3) 'Social Democratic'. He identified the USA or the UK as exemplifying case (1), Germany, for case (2) and the Scandinavian countries in case (3). Whilst the origins of these types of approaches to welfare could be traced to political power structures in the period of industrialisation, in the contemporary period states could be classified in this way on the basis of measurable characteristics on two main dimensions: 'decommodification' and 'stratification'. In simple terms, these types of regime could be characterised as entailing: (1) a more limited, residual role for the state; (2) an extensive social insurance model tied to employment; and (3) a more comprehensive universalist and egalitarian approach. Esping-Andersen's contribution stimulated a

large literature, some supportive and some critical. In a review, Arts and Gelissen (2002) found substantial support for the classification, but with important qualifications: a fuller classification would probably include a couple of additional types of case, including the ‘Mediterranean’ countries which, whilst resembling the second category in some respects, were less developed and more reliant upon family support, and variants on the third category dependent on the treatment of gender and the nature of means-testing. Whilst the classification identified ideal types, actual welfare arrangements in some states were better seen as hybrid combinations.

These general theoretical conceptualisations of welfare regimes are related to broader economic structures, particularly regarding ownership and control of key economic sectors and ways in which governments engage with key economic interest groups in managing economic affairs. Since the fall of the Berlin Wall in the 1990s, there has been no obvious alternative to market capitalism as an organising principle for economies—and yet it has been recognised by some that there are significant differences between the way capitalist market economies are owned, organised, coordinated and regulated between different countries—the so-called ‘Varieties of Capitalism’ (Hall and Soskice 2002). For example, the ‘coordinated market economy’ of Germany, with its heavy involvement of regional banks in long-term industrial investment alongside long-term private ownership and participation of unions in management, appears to compete very successfully with the ‘liberal market economy’ of the UK, where shorter-term financial criteria and ‘shareholder value’ dominate management thinking. These differences are likely to be reflected in the character of the housebuilding and real estate industries as well.

Whilst Esping-Andersen and others (Esping-Andersen 2002) acknowledged in the early 2000s that European welfare states needed to adapt and evolve in response to contemporary conditions including globalisation, their aspirations remain considerably more optimistic than some other more recent contributors, partly influenced by the 2008–12 crisis but also by a broader perspective on the logic of global capitalism. For example (Standing 2011), in reviewing the implications of the growth of ‘The Precariat’ is effectively arguing that neither (2) Corporatist-Statist nor (3) Social-Democratic regimes can or will survive, because of

inexorable economic and demographic pressures, and that Liberal forms will be the norm.

Esping-Andersen and much of the literature that followed focus mainly on the core elements of the welfare state which revolve around the labour market and income maintenance, and tends to be silent on the role of housing, sometimes termed the ‘wobbly pillar’ of welfare (Torgesen 1987). One may infer expected characteristics of housing’s role in welfare systems under these regime types, for example, that the Liberal regimes would see a smaller and more residual role for social housing and tight means-testing of housing allowances, whilst Social-Democratic regimes would see larger public housing sectors and more generalised housing subsidies, with Corporatist-Statist regimes somewhere in between. However, this leaves certain important issues unresolved. In particular, the role of owner occupation, which enables households to build up an asset base to provide a substantial enhancement to their post-retirement living standards, as well as a significant element of ‘self-provisioning’ is neglected (Castles 1998; Fahey and Norris 2011). More recent discussions have concerned the potential of home ownership to facilitate welfare state restructuring under neoliberalism and globalisation (Ronald 2008), for example, through extensions to ‘asset-based welfare’ which rely upon further debt-based equity withdrawal, including to cover care costs in old age. Kemeny (1981) had suggested that homeowner societies would tend to resist the taxation required to fund high general levels of welfare spending, because of their high ‘front-end loaded’ housing outgoings, whilst anticipating less reliance upon this in their later years.

Kemeny (1995) also sought to develop typologies of housing regime, although these do not map precisely onto the Esping-Andersen categories. He distinguished ‘unitary’ rental sectors where, thanks to the maturing of housing debt, public/social/cooperative providers are able to compete with the private rental market and owner occupation, from ‘dualist’ rental systems where the maturation benefits have been extracted to the benefit of government or former tenants through discounted privatisation. The remaining social rented sector is targeted on the poor, whilst the market rental sector is separate and not a viable alternative to ownership for those with the choice. Broadly, type (1) Liberal regimes tend to

have dualistic rental sectors, whilst types (2) and (3) may have unitary sectors, although this would be less likely with the high home ownership Mediterranean types of regime.

Convergence or Path Dependence?

Another very general idea prevalent in comparative studies of all kinds is that of ‘convergence’, as mentioned in Chap. 1. This implies that different countries have different systems and policies because they were developed in isolation, in differing circumstances and political contexts, but that in the face of common challenges a common logic will drive them to adopt increasingly similar policies. Just as globalisation forces businesses to adopt similar technologies, products and methods to compete, by analogy globalisation also exposes national policy systems to both information to enable and pressures to adopt similar measures. So some of the literature on comparative housing systems is concerned with convergence as a theme. However, a companion concept in these literatures is that of ‘path dependence’, which in simple terms says that the policy and system choices made today are not made on a clean slate, but are in practice strongly conditioned by how you got to where you are today—the pathway in other words. In general, it is argued that in housing policy, path dependence remains very important.

For some comparative studies, there are obvious reasons to expect to find significant convergence. For the former socialist countries of Central and Eastern Europe, for example, the collapse of Communism led to a sharp disjuncture and change of regime, with a general thrust of moving towards a more capitalist market economy model. Therefore, we would expect to see a significant degree of convergence with Western European models and patterns in terms of housing tenure, for example. In practice, the disjunction was so sharp as to lead, paradoxically, to what might almost be termed ‘overshooting’, as a consequence of the particular path followed. In most countries affected, former public housing was rapidly privatised, leading in some cases to a form of ‘super-high’ home ownership societies. Yet in other ways some of these countries have not adopted all the trappings of a mature Western style home ownership society, as seen,

for example, in very low take-up of US-style mortgage systems, whilst at the same time social housing systems may have atrophied (Stephens and Norris 2013). Another example illustrates clear evidence of path dependence in the face of circumstances where one might have expected convergence. This is the continuing contrast between British and German private rented housing sectors, for instance. Paradoxically, in Germany there is much regulation of rent increases and of tenancy rights (including security of tenure) but a very large, diverse and good quality private rental sector continues. By contrast in the case of the much more deregulated British market the sector remains smaller and focussed on shorter-term investment and tenancy horizons, with consequent limitations on quality, satisfaction and scope (Kemp and Kofner 2010). The essence of the difference is that Germany has experienced stability over a long period, both in economic performance (growth, inflation, interest rates and house prices) and in the regulatory regime governing private renting, so that investors there are predominantly long term in their outlook, rather than preoccupied with liquidity and being able to realise capital gains at a particular point in the market cycle. At the same time, there is a large body of higher- and middle-income households happy to rent for long periods, without such strong expectations or aspirations towards home ownership.

This example may be a particular illustration of a more general phenomenon—basic concepts in housing, like ‘tenure’, may have different meanings in different countries, and may not be correctly understood or judged without significant awareness of context and history (Stephens and Norris 2013). To take another more general example, ‘social housing’ takes different forms, has different histories and has different contemporary connotations in different national systems. In some countries, there was a period when public or social housing accounted for a large proportion of total housing stock or new investment, and people living in it were drawn from across the social spectrum, with even some bias towards higher social groups and some exclusion of the poorest. This is rarely the case now, but the extent to which social housing is regarded as a narrow, ‘residual’ tenure for the very poor still varies a great deal. There is a similar spectrum on the supply side in terms of the type of body responsible for ownership and management of social housing—an arm of the state,

a charitable non-government organisation, a cooperative, a ‘social enterprise’ or, indeed, a commercial company. Debates about the implications of the increasingly ‘hybrid’ character of these organisations, which are important agencies in the implementation of social-oriented housing provision, have preoccupied academics and practitioners (Malpass 2010; Mullins et al. 2012). What do these organisations prioritise—business growth or social mission? How are they held accountable and to whom? In using such vehicles, are governments trying to ‘have their cake and eat it’, treating them as arm’s length ‘private’ entities whose borrowing/investment do not count as public expenditure, whilst at the same time closely regulating them in order to direct their activities closely? Is such a muddying of the waters between public and private compatible with ‘a level playing field’ in globalised or regionalised single markets? This issue has been tested in the European courts in respect of Dutch Housing Associations, whose activities have been significantly constrained as a result (Priemus and Gruis 2011), and more recently in England where a ruling by the national statistical agency led to housing associations being reclassified as ‘public sector’ in 2015.

Housing in Developing and Rapidly Urbanising Countries

The discussion in this chapter, and the examples given, mainly relate to the mature industrial and post-industrial countries of Europe, North America and Australasia, although there have been some references to countries in transition from socialism and some ‘southern European’ countries where the transition to developed urban status is perhaps less complete. We are acutely conscious that some of the greatest challenges for housing in the world today are faced in low- and middle-income countries which are often experiencing very rapid urbanisation and industrialisation, whether in Latin America, Asia or Africa. We believe that some of the principles and approaches to planning and managing housing development discussed in this book are relevant to many of these cases as well, but it is beyond our scope and resources to cover these in terms of detailed case studies. It is also clear that, particularly

in the lower-income rapidly urbanising countries, there is a major phenomenon of informal housing which does not exist on a significant scale in the countries featured in detail in this volume. Traditional European approaches entailing large scale direct state provision of social housing do not have much traction in many of these cases, whilst equally planning regulation typically does not impact much either. Key challenges are often around provision of basic sanitary infrastructure, land rights and titling, displacement through development and the engagement and empowerment of poorer communities in processes affecting them. In this book, we do not attempt to provide a general account of or prescription for such situations, common though they are.

However, in some of the country case study chapters we do recognise legacies from past informal development and attempts to manage it, and offer some reflections on how lessons about policies get transferred, adopted or adapted in countries currently experiencing major urbanisation or urban upgrading.

Comparative Profiles

In the final section of this chapter, we present some comparative data relevant to the themes of this chapter, for a selection of countries, including those referred to in subsequent case study chapters.³ Table 3.2 starts with some basic economic indicators and enables comparison also to be made with some key indicators of housing finance and markets.

The first indicator (GDP per capita) is the standard measure of level of economic development, although this may not necessarily measure social development. With that qualification, the USA stands out as having the highest income level, followed by a group including Australia, and three European countries, Germany, the Netherlands and Sweden. France and Japan have levels a little above the OECD average, whilst Britain and Ireland are only just above that average, with Italy a little below and Spain rather further below.

³ China and Hong Kong are omitted, because they are not within the key statistical sources used based on OECD countries, and because Hong Kong is a special case of a city-state within a state.

Table 3.2 Economic, financial and housing indicators for selected countries

Country	GDP/ cap index	GDP growth	Govt Surp/ Deficit	Housing Invest	Mortgage Debt	Owner Occup	Real House Price Chg
	OECD	%	%	%	%	%	%
	2012	2002–12	2012	1996–2011	2012	2010–11	2007–13
USA	151	0.9	-9.3	4.5	69	66	-16.9
Australia	125	3.1	-2.3	6.4	85	69	7.7
Japan	106	1.8	-9.5	4.0	40	62	2.0
France	108	1.1	-4.8	5.0	43	58	-6.7
Germany	124	1.1	0.1	6.0	45	46	15.0
Ireland	103	2.2	-8.1	8.4	78	70	-44.9
Italy	98	0.0	-2.9	4.6	20	73	-4.0
Netherlands	126	1.0	-4.0	5.8	108	56	-25.5
Spain	93	1.4	-10.6	7.6	61	82	-36.8
Sweden	127	2.2	-0.4	2.5	81	64	5.2
UK	102	1.2	-6.2	3.3	81	65	-13.3
Euro Area	106	0.9	-3.7	5.8	52	67	-12.4

Sources: Wilcox and Perry (2015) *UK Housing Review 2014*, Tables 8, 9 and 10, derived from OECD *Economic Outlook* reports; OECD (2015) *Factbook: Economic, Environmental and Social Statistics*, pp. 35, 37, 59, 206 http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-factbook-2014_factbook-2014-enpage1; RICS 2010 *European Housing Review* Whitehead et al. 2014, Tables 1 and 2.

The second indicator looks at economic growth over the decade to 2012, covering both the ‘boom’ and the ‘crisis’ periods. Australia stands out in this table, with its very long ‘resource boom’ and virtual avoidance of crisis/recession (a situation which may be changing at the time of writing). Ireland and Sweden were better performing amongst the European countries, although for Ireland, like Spain, this conceals a more dramatic boom-bust cycle. After its ‘lost decade’ of the 1990s, Japan performed a little better than most of Europe. Amongst the larger European economies growth was around the 1.1–1.2 % level, lower than historical post-war averages, whilst in Italy it was effectively zero. Despite its higher income and productivity levels, the USA managed slightly lower growth than the larger European economies. This helps to show why standard of living issues have come to the fore in popular and political debate.

Following the GFC, government deficits have been the order of the day in most countries, with Germany and Sweden rare and notable exceptions. Deficit reduction through austerity has been a key theme of recent politics and policy, and has significantly constrained what governments might have wished to do on housing or welfare.

Looking more specifically at housing, we find quite significant differences on a number of indicators. Investment in housing (new and refurbishing), even over quite a long 15 year period, varies quite widely between countries, from lows of 2–3 % of GDP in Sweden and the UK to moderately high figures (c.6 %) in Australia, Germany and the Netherlands and very high figures in Ireland and Spain (c.8 %), reflecting their uncontrolled speculative booms as discussed in Chap. 7. There are also wide variations in mortgage debt, reflecting long-established differences in practices relating to finance of home ownership overlaid by different degrees of deregulation and exuberance in lending in the pre-GFC years. Thus, the Netherlands tops the table (partly due to tax relief incentives to borrow), followed by Australia, Sweden and the UK with quite high levels, whilst at the other end are Japan, France and Germany. Owner occupation rates are less variable than some people believe, having shown some tendency to converge, but the extremes in this table are represented by Germany (46 %) and Spain (82 %). Several countries have seen significant drops in owner occupation over the last decade or so.

The last column of this table shows real house price changes over the period 2007, which covers the market downturn/GFC/recession period and the initial recovery phase. Countries which were less impacted by the GFC and/or had more regulated finance tend to show a more positive picture of price change in this period (e.g. Germany, Australia). The countries with the greatest speculative excess show the greatest falls in this period (Ireland, Spain) with the UK, the USA and the Netherlands in an intermediate position. National house price data can be misleading—for example, at the time of writing, in the UK, prices have been rising strongly for a couple of years in London and the South, whilst stagnating or falling in the North.

Table 3.3 looks at a selection of demographic, social and environmental indicators, picking up some of the ‘key challenges’ discussed earlier in this chapter. Population increase is a key indicator of the

Table 3.3 Demographic, social and environmental indicators for selected countries

Country	Pop Incr % pa 2002–12	Inequality S90/S10 2011	Poverty <60 %med 2011	CO ₂ Tonnes /capita 2011	Completn /1000 >18 2007	Hsg Cost % Displnc 2013
USA	0.88	16.5	17.4	21.2	6.7	
Australia	1.45	8.5	13.8	24.3	7.25	
Japan	0.01	10.7	16.0	10.3	9.9	
France	0.59	7.4	8.0	7.7	8.7	18.0
Germany	-0.07	6.9	8.7	11.2	3.1	27.5
Ireland	1.55	7.4	9.7	12.5	23.5	15.5
Italy	0.41	10.2	12.6	8.2	n/a	17.5
Netherlands	0.37	6.6	7.8	11.6	6.2	29.5
Spain	1.11	13.8	15.1	7.6	17.3	19.5
Sweden	0.65	6.3	9.7	6.5	3.9	22.0
UK	0.72	9.6	9.5	8.7	4.8	20.5
EU28	0.34			9.2		
OECD	0.65	9.6	11.5	12.6		

Sources: OECD (2015) *Factbook: Economic, Environmental and Social Statistics*, pp. 35, 37, 59, 206 http://www.keepeek.com/Digital-Asset-Management/oeecd/economics/oeecd-factbook-2014_factbook-2014-enpage1; OECD (2014) *Inequality Update Tables Annex*; Whitehead et al. 2014, Table 5; ONS 2014, Table 4. Pittini et al. 2015 *The State of Housing in the EU*, Brussels, Housing Europe. Charts 2 & 4, derived from EU-SILC. Australia Bureau of Statistics (Cat. 8752)

basic demographic demand pressures on housing, driven primarily by migration but also by birth rates and ageing. Japan and Germany stand out for having near-zero demographic growth in this period. This contrasts most obviously with Australia, Ireland and Spain, although in the latter two cases migration went negative after the GFC. Sweden and Britain have relatively high rates of growth, due primarily to migration, although not quite as high as the USA. Whilst the biggest boost for the UK was from new EU member states, in Sweden refugees and asylum seekers have been a large element. Now, as Europe faces a refugee crisis, and Germany has taken in a million in a few months, the picture will change again.

We highlighted in earlier discussion the significance of inequality and poverty, and the next two columns of Table 3.3 document variations in these. In 2011, inequality in this grouping was highest in the USA and Spain, and lowest in Sweden and the Netherlands, with broadly parallel

differences in (relative) poverty. Australia and Japan stand out for having relatively high levels of poverty, given their moderate levels of inequality.

A further challenge sketched above concerned global warming, climate change and the need to ‘decarbonise’ the economy, not least the housing and urban systems. The figures for tonnes of CO₂ emitted per capita shows wide variation between countries at a similar level of development, notably Australia with 3.7 times the level of Sweden and over three times the level of France and Spain.

The final two indicators are only shown for a subset of the countries. New house completions per 1000 adult population shows the relative importance of new build in the ‘best year’ just before the GFC. Apart from the spectacular (and indeed excessive) figures for Ireland and Spain, rates were quite high in France, the USA and even Australia, but notably low in the UK. Housing cost (defined broadly, to include utilities) as a share of disposable income, a measure of affordability or the burden of housing costs, was highest in the Netherlands and Germany, and lowest in the ‘high home ownership countries’ of Italy, Ireland and Spain (where many live mortgage-free on a mortgage taken out at much lower values in the past). This illustrates the issue debated around the role of owner occupation in housing and welfare regimes. In general, some care is needed in making comparisons of affordability, and use of a range of indicators is desirable. The higher costs in Germany reflect the high share of private renting, and possibly the quality of the accommodation and the inclusion of utility services, whilst in the Netherlands there may also be a factor of the high mortgage commitments that encouraged the tax relief (which is not netted off from the housing cost figures used here).

Conclusion

This chapter has sought to explain the key features and operations of the housing system, as a basis for understanding the complex interactions between urban regulation and housing provision. We have emphasised the (sometimes conflicting) social and economic significance of housing, including processes of housing production, the different types of housing tenure, drivers of housing demand and supply, and measures of market responsiveness and failure. These primary components

of housing systems provide a basis for comparing housing systems and policy responses, as demonstrated with reference to a typology of international housing systems. This establishes the framework for considering the relationships between urban planning and the housing market in more detail in Chap. 4, and the ways in which these relationships are influenced by different policy structures, as discussed with reference to a series of international country cases in the chapters which follow in Part 2 of this book.

4

Relationships Between Planning and the Housing Market

The question of whether, and how, planning impacts on the housing market, continues to stir public debate in many countries. At heart, these debates reflect underlying views—often ideological or political—about the role of government intervention in the market. Free market advocates and industry representatives often argue to reduce government regulations affecting residential development, claiming that planning rules constrain growth and make housing *more expensive*. Planners on the other hand point to environmental, social and economic risks associated with uncoordinated and poorly managed housing development—with the implication that good planning makes housing better and therefore *more valuable*. Between the two poles is the viewpoint of homeowners, who will favour planning rules and settings thought to best serve their residential amenity and maintain the value of their homes, which very often means the status quo. How do these competing interests, played out through urban regulation and planning processes, come to delimit the quantity, composition and price of housing? This question has particular resonance during times of concern over rates of housing production, affordability pressures for first home buyers or regionally unbalanced growth.

Overview

There is a growing volume and diversity of analysis, commentary and empirical work on relationships between planning and the housing market. This literature is important, because understanding how planning processes and regulations influence the supply of new homes—and potentially the wider market impacts arising from this new supply—can inform changes to planning systems. However, much of the literature derives from an economic tradition that struggles to conceptualise the comprehensive nature of planning systems. As outlined in Chap. 1, these systems seek to promote multiple objectives whilst balancing complex risks. Further, the nature of private housing provision—and the ways in which different sectors in the land and housing development industry—finance and produce new homes, differs profoundly between nations and regions, as do systems of planning regulation. In addition, because of the localised nature of housing markets (reflecting the fixity of land and buildings and the limited geographical substitutability between locations) and, very often, of planning agencies and decisions (typically subject to local political pressures), there can be significant differences in the dynamics of housing supply and demand even within nations (Barlow 1993). Whilst some studies and commentaries on the relationships between planning regulation and the housing market fail to recognise these considerations, others make use of local variation as a laboratory to study these relationships.

Further, whilst ubiquitous, planning is only one of many factors influencing the production of new housing. New housing itself only amounts to a small proportion (typically between 1 and 2 %) of the entire dwelling stock. In the case of the UK, where homes are traded on average every 6–10 years, it has been estimated that new housing as a proportion of transactions on the market at any one time is around 10 % (Leishman 2015). Therefore, the impact of planning on the market may be expected to be limited, especially in the short term, and disentangling the price (or other) effects of planning on the housing market is extremely difficult.

In this context, this chapter samples the diverse literature on relationships between urban planning and the housing market. It first summarises this literature in relation to the evolution of planning practice

and systems of new housing provision over the past five decades. It considers the nature of urban housing development in the hypothetical or historical context of ‘no planning’ and reviews the intrinsic rationale for planning, recognising both its private and public forms. This helps to situate planning as one of many factors influencing supply and demand for housing, and seeks to isolate the potential effects of regulation as a constraint or cost to new housing production. The second section of this chapter reviews empirical approaches to measuring these potential impacts, highlighting implications for designing planning regulation which accommodates and enables housing development in response to population growth and change. The final section of this chapter considers this empirical research in the light of ongoing political debates about the impacts of planning on housing supply in nations affected by specific affordability pressures.

Evolution of Research on the Effects of Planning Regulation on the Housing Market

Research interest in relationships between planning and the housing market can be loosely traced to the evolution of late twentieth century urban policy, planning and changing approaches to housing provision. In the early 1970s, the late Sir Peter Hall called attention to the differential impacts of urban containment which he argued had led to rising land and property values in well-located, high-demand areas of the UK (Hall et al. 1973). Later, a series of studies examined the ways in which perceived differences between local planning authorities in their planned allocation of land and/or their propensity to issue permission for residential development, influenced the supply and price of housing in Britain (Cheshire and Leven 1986; Monk et al. 1996; Cheshire and Sheppard 1989; Bramley 1993b).

As regional planning efforts proliferated in the USA over the late 1960s and 1970s (Cullingworth and Caves 2014), there was rising consciousness about the impacts of municipal zoning controls on the supply and price of housing (Dowall 1979). Later, a specific trajectory of research on planning and the housing market in the USA exposed how certain zoning and development controls (such as strict minimum building setbacks,

large lots for detached family homes and single use zoning schemes which prevent 'multi-family' or medium density residential development) operate in ways which are inherently exclusionary to lower-income and diverse social groups (Ihlanfeldt 2004; Fischel 2004).

As urban containment or 'growth management' approaches travelled to the USA towards the later years of the twentieth century, a number of studies sought to examine their implications for housing supply and affordability (Landis 2006; Dawkins and Nelson 2002; Carruthers 2002a), particularly in areas with strong growth controls such as Oregon (Wu and Cho 2007, p. 50); California (Quigley et al. 2004; Neiman and Fernandez 2000; Lewis and Neiman 2000; Gyourko et al. 2008); and Florida (Ihlanfeldt 2007; Anthony 2006; Anthony 2003). Increasing concern over the environmental impact of development on biodiversity values and corresponding enactment of special regulatory protections and procedures also stimulated a specific trajectory of research in the USA (Sims and Schuetz 2009).

In a context of limited funding to service new housing development, many planning authorities have introduced specific developer contribution or impact fees to offset costs. Depending on the availability of other revenue, such contributions can provide an important source of income for local authorities. Such obligations are often portrayed by the housing industry as a 'tax' on development, which both deters new construction and increases costs paid by homebuyers. A body of research has thus emerged to examine the extent to which requirements for developers to contribute towards the costs of local roads, paths, parks and community facilities, deter new housing production or increase house prices (Evans-Cowley and Lawhon 2003). However, it may be countered that such fees or taxes create an incentive for local authorities to encourage or not oppose development, and thereby encourage authorities to plan or permit more development than they otherwise would. This effect is reinforced to the extent that the revenues are used to provide good quality infrastructure to support new developments, and thereby create new communities which are more sustainable.

By the turn of the millennium, growth management or urban containment had become a central tenet of urban planning policy in many nations of the world (as noted in Chap. 1), often motivated by aspirations

to achieve greater levels of urban ‘sustainability’ (in all senses) (Dempsey 2011b). In nations such as the UK, the Netherlands, Australia and New Zealand, containment policies, as well as the increased regulatory burden associated with environmental assessment requirements, were implicated in growing concern over reduced rates of new housing production relative to historical trends (Altes 2006; Bramley 2007; Murphy 2014; Gurran and Phibbs 2013). At the same time, other significant shifts in the role of the government in housing provision—from direct government delivery through supply-based interventions (funding for public housing) to more diversified and demand side mechanisms intended to support the private market—have also been at play.

So, a number of factors could explain changing rates of housing production over this period. Yet there has been particular interest in the extent to which planning has impeded the capacity for the market to respond to housing demand in jurisdictions characterised by high price inflation. As noted in Chap. 3, the UK government’s inquiry into housing supply (2004) and the planning system (2006) led by economist Kate Barker (Barker 2004; Barker 2006) prompted a series of reforms designed to reduce barriers to housing development, and improve system efficiency, heralding the beginning of a period of almost perpetual change and review (Barker 2008; Gurran et al. 2014). Similar reforms were pursued over the same period by Australia and New Zealand, again in an attempt to address affordability pressures and lacklustre new housing production in both countries (Gurran et al. 2014). Whether these efforts helped lift housing production in the context of wider market drivers and shifts is difficult to determine. The policy debates which have ensued have focussed on system-wide impacts of planning on overall rates of housing production, whereas the empirical research tends to focus on measuring local level impacts arising from planning regulation and constraint.

The rough chronological account of research on planning and housing outlined earlier implies a simple linear relationship between particular regulatory interventions and demonstrable market outcomes. Yet in reality, planning sits within a range of factors influencing urban change and the housing market, including geographic features (slope, water bodies), underlying population growth and household formation, industry, unemployment and income trends, interest rates and inflation,

national and local tax rates and allowances, local service quality (e.g. schools) (Cheshire and Sheppard 1995; Haurin and Brasington 1996; Roback 1982), price to rent ratios (as an indicator of returns on housing investment); and the potential value of alternative investments such as the stock market (Otto 2007; Hui and Ho 2003; Malpezzi 2002; Saiz 2010). Within this panoply, planning has a direct effect on the supply of opportunities for housing development, through its functions of land allocation and development control, but it may also indirectly influence it through local economies, transport infrastructure and local amenities.

In theory, these two primary functions—allocating housing sites (through land use zones delimiting allowable uses, or issuing permission for a specific development), and controlling the density and design of new housing—affect both the quantity and cost of new housing production. Yet it is difficult to determine the relative impact of these functions in relation to the many other factors influencing housing production. These include the costs of acquiring land, ‘holding costs’ in servicing loan finance, construction materials and labour, marketing and selling costs, as well as compliance fees and charges. This complexity makes it important to return to the question of how the land and housing market might operate without planning intervention. Such issues were considered briefly in Chap. 1 and we return to them at greater length here.

The Land and Housing Market Without Planning

To isolate the potential impacts of planning, it can be helpful to conceptualise a land and housing market without planning regulation. This involves brief discussions of urban land markets (how land is priced and converted to urban and residential uses), and property rights (degrees of entitlement to use and control land). Both land markets, and the property rights which determine them, are potentially delimited by planning regulation. This gives rise to concerns about the distorting effects of planning intervention on the supply of urban land and the exercise of private property rights. But, as the following discussion explains, both

land markets and property entitlements are also bounded by a series of other factors which would require stronger attention in the absence of planning.

Urban Land Values

One of the most influential theories for analysing urban land values was developed by William Alonso (1960) inspired by classical land rent theory going back to Ricardo in the early nineteenth century. The theory provides an explanation for the decline of land values from the central city, as a function of the benefits of proximity (to the business district) versus space, amenity and travel times. Land rents are then posited to fall downwards in a radial cone from the centre to the periphery, when the value of urban land becomes equal to or lower than rural uses. According to this model, as the land value gradient (referred to as the 'bid rent curve') rises in proximity to the central business district, higher density development is stimulated by the higher values associated with accessibility to economic activity. The model can provide a useful heuristic for understanding and modelling the impacts of regulation, and other forms of constraint, on the potential supply and value of land (Evans 2004a; Bramley et al. 1995) For instance, if an artificial barrier constrained the availability of land between the centre and the naturally occurring periphery, land values within this new periphery should rise.

Land values therefore reflect unique attributes plus an innate scarcity value, because land is fixed in space and the amount of land which is accessible to urban opportunities is finite. To operationalise the process of land valuation, property valuers and developers consider the potential income able to be obtained from the land if converted to its 'highest and best use'. In practice, this means that land values are established by the activity or development able to yield the highest return (sales or ongoing rental revenue), minus the costs associated with undertaking this development/activity. For instance, rural land with potential for housing development should be valued in relation to the value of the housing to house buyers (whether potential occupiers or landlords) minus the costs of carrying out the housing development (e.g. site works, construction,

finance, compliance, sales and marketing expenses). Of course the potential profit will in turn be influenced by the current value of existing residential developments within the locality, to the extent to which this housing might be regarded as a substitute for new homes. This means that the established market has a strong influence on the cost of residential land and the pricing of new housing supply.

The spatial extent of the region where housing development values command a significant premium over rural land use values depends a lot upon the transport technology and infrastructure. The late nineteenth century city was bounded at about 5 km by the range of commuting on foot or by horse-drawn tram or bus, whereas the late twentieth century city is commutable to by car (or transit/train where available) within an hour from a range of 50–75 km depending on the quality of the infrastructure and the extent of congestion. In such conditions, the amount of land area potentially open for housing development is enormously expanded, but the land may be used in a much more extensive fashion through much lower densities.

Therefore, although there may be abundant rural land surrounding the urban periphery in this idealised city without geographical or planning constraints, this very abundance reduces the potential value associated with new housing—whilst sites in closer proximity to the centre might continue to command a premium, triggering more intense development. Yet under contemporary conditions, land across a wide area still offers a positive margin of value for housing development relative to agricultural or other rural uses. Further, landowners are free to choose when to sell sites to the market (Evans 1983, 2004), and are able to ‘hold out’ until prices increase, further exacerbating the inherent scarcity of accessible land which is actually available to the market. The ‘option’ of waiting to sell or develop at a future time, when profits might be higher, is another way of looking at this aspect of landowner behaviour (Titman 1985), and may well be factored into land values. Two possible issues arise here. When a small number of landowners own a large proportion of potential development sites, they are therefore able to exert monopolistic conditions, holding out for a very high price. On the other hand, when many different landowners own sites across the potentially developable area, there is no certainty that they will actually bring their

land forward for development at all, or in the immediate future. This can give rise to haphazard or discontinuous patterns of development, lack of coordination between land uses and either costly, inefficient, or inadequate provision.

The problem of land monopoly arises even in the idealised monocentric city, where the major locational advantages are associated with proximity to the central business area. Further, in the theoretical city without regulation, the problem of not knowing what types of development are likely to occur in the vicinity of a particular site, introduces additional uncertainty. In real cities, the combination of geographic attributes and constraints, as well as existing infrastructure and historical patterns of settlement and industry, means that land is inherently more heterogeneous and unique. Appropriate development sites are inherently scarce within accessible established areas, whilst being potentially scattered along the undeveloped periphery. These conditions increase the potential for land monopolies to arise in some cases. Without regulation, future development patterns in real cities are particularly difficult to predict, as they depend on the individual decisions of multiple actors. This uncertainty—about future locational attributes and advantages—can inhibit urban investment, despite the liberation from government imposed regulation.

In short, when attempting to estimate the impacts of planning regulation on the supply and price of homes, it is important to avoid simple assumptions about how landowners and developers would operate without any regulation at all.

Property Rights

Property rights can be described as the formal and informal institutions and arrangements governing access to land and resources, and the benefits arising from this access or use (Musole 2009). Understanding the ways in which markets interact with property rights can help explain the behaviour of landholders and developers in relation to bringing land to market or converting land to different uses. Like regulation, systems of property rights vary between nations.

In the USA, private property rights over land are afforded constitutional protection (Cullingworth and Caves 2014):

In the US, land has historically been viewed as a replaceable commodity that could and should be parcelled out for individual control and development; and if one person saw fit to destroy the environment of his valley in pursuit of profit, well, why not? There was always another valley over the next hill. Thus the seller's concept of property rights in land came to include the right of the owner to earn a profit from his land, and, indeed to change the very essence of the land, if necessary, to obtain that profit. (Cullingworth 2014, p. 23)

Thus the system of planning in the USA in some ways evolved to protect the profit yielding potential of land as a commodity. By contrast, nations such as Britain and the Netherlands (with their much smaller land mass) have historically garnered strong support for preserving the innate values of the remaining countryside, by containing urban sprawl. In the Netherlands, also, much land has been created or protected for human use by considerable public reclamation and flood defence work, again reinforcing the perception of land as a scarce public resource. Arguably this has resulted in greater acceptance of planning control over private, undeveloped land.

In relation to housing, property rights are vested in different forms of housing tenure. Freehold ownership typically confers the highest level of control over the personal and economic use of a dwelling, whereas renters have access to varying degrees of housing services over time, depending on the terms of their lease or rental contract. Leaseholders may have substantial use rights but may be circumscribed in what they can ultimately do with the land. Thus in countries defined by high levels of property ownership, the planning system may also be seen as a mechanism for preserving the economic value of housing investment.

Even within jurisdictions, there can be many different legal arrangements for owning or renting land or housing, each of which are associated with various levels of control and exclusivity. Private property rights provide the greatest level of individual control over the use and benefits of land or housing; 'communal' rights are assigned to a group, but allow the exclusion of others; whilst 'open access' rights are not specifically assigned to individual or small group. Whilst many nations emphasise

ownership in perpetuity, leasehold forms of land and housing tenure can offer similar use rights which may also be tradable. However, leasehold systems have also been used to enable certain common amenities to be maintained across a block or neighbourhood, at the expense of somewhat restricting individual owners' freedoms, and have also provided a vehicle for the resolution of collective property management issues, for example, in multi-unit accommodation.

Property Rights, Development Rights and Developer Behaviour

According to neoclassical economic theory, when property rights are well defined and enforceable, there will be stronger incentives for individual investment in land. Land use regulations act as an encumbrance on property rights, but also operate to protect land values on surrounding land:

“State restrictions on land use rights are like a double-edged sword. The negative side is that ... they do erode incentives to invest in land, particularly if applied excessively. The positive side, though, is that they minimise erosion of land values on adjoining plots.” (Musole 2009, 3312', p. 56)

Advocates of strong property rights frameworks argue that the externalities arising from development should be internalised as much as possible. In other words, that a well-defined property rights system allows markets to incorporate the costs and benefits of a transaction into an exchange. In this theoretical sense, the property rights themselves should also be tradable. In practical terms, this might involve a homeowner who wishes to extend their home, compensating a neighbour for any loss of sunlight or views.

We introduced the so-called 'welfare economic' case for land use planning in Chap. 2. Named after English economist Arthur Cecil Pigou, 'Pigouvian' welfare economics provided a rationale for planning regulation as a means of coordinating individual development and preserving public goods that the unregulated market would overconsume or underprovide:

It is as idle to expect a well-planned town to result from the independent activities of isolated speculators, as it would be to expect a satisfactory picture

to result if each separate square inch were painted by an independent artist. No 'invisible hand' can be relied on to produce a good arrangement of the whole from a combination of separate treatments of the parts. It is necessary that an authority of wider reach should intervene and should tackle the collective problem of beauty, of air and of light, as those other collective problems of gas and water have been already tackled. (Pigou 1914, p. 1)

Although private agreements of the kind described earlier might provide a basis for resolving some of the problems associated with externalities, it is argued that these would be undersupplied in the market because of the high transaction costs associated with making and enforcing them (Needham 2006). For instance, without intervention, heritage and aesthetic qualities of places are likely to be "undervalued by present property transactions" (Webster 1998, p. 55). Even publicly imposed taxes might be insufficient to protect irreplaceable resources (such as areas of important biodiversity) or to manage the location of traffic generating development, because of the difficulties in pricing externalities and the differential capacity for actors to pay.

The problem of preserving public goods remains an important rationale for government intervention in the market. Ronald Coase (1960) pointed out that government regulations are not the only ways to manage externalities and may also be prone to high transaction costs, or promoted simply for communities to maintain exclusivity (Fischel 2004). Under this conceptualisation, the community becomes an economic actor, seeking to optimise certain objectives such as high property values and favouring particular planning regulations to achieve these goals. Land use plans and development controls therefore mediate property rights in administering development entitlements, either through straight allocation or through a negotiated 'quasi-market' system in which development entitlement is exchanged "in return for concessions, compensation levy, or betterment levy" (Webster 1998, p. 71).

Similarly, 'public choice' theorists question whether government intervention was always more efficient, arguing that if markets can fail, there could also be failures arising from state intervention as well (Webster 1998). They point to the potential "welfare maximising motives of government itself" whereby politicians or bureaucrats operate to further their own interests:

“The assumption underlying traditional welfare economics does not allow for partisan realities like this: its assumption is one of a benevolent bureaucrat analysing policy options for efficiency.” (Webster 1998, 1084', p. 62)

Thus, Coasian and public choice perspectives help illuminate both the potential costs of regulation and how some groups may be more advantaged than others from any benefits.

Putting Planning Regulation in Perspective

What are the implications of this discussion for understanding relationships between planning and the housing market? Firstly, thought experiments (as well as historical experience) in which planning is absent and the market prevails show that other factors operate to constrain the rate of new land and housing development. These include the individual motivations of landowners and developers, and the high costs of transactions between actors who must negotiate around individual and collective property rights. Whilst the level of government control over property and development rights differs between jurisdictions, planning regulation is generally accepted as the most efficient mechanism for managing the problem of externalities and public goods. A form of voluntary private cooperation, and the use of legal mechanisms such as leasehold tenure and restrictive covenants, may go some way towards enabling the public good benefits of planning to be achieved in another way. But on the whole it is argued (e.g. Needham 2006) that public planning is a more effective general solution to these problems.

However, as illuminated here, the differential costs and benefits of regulation—ranging from the procedural burden through to the impact of stringent development controls—as well as the differential beneficiaries of particular regulatory settings—remain important considerations in analysing outcomes of planning intervention.

This is not to say that government intervention through a regulated land use planning system will deliver optimum certainty of outcomes either. The assumption of a wise, impartial, well-informed planner always making optimal decisions for the future is somewhat implausible. Alan Evans (2004) cites a study in which planners appeared bemused by the

fact that residential development did not proceed in line with their plan but rather followed market forces:

“the planners seemed surprised that land owners, even builders, exercised no independence but merely responded to demand.” (Evans 2004, p. 6)

The distinction between ‘need’ and ‘demand’ is a long-standing issue in assessing future housing requirements, whilst the difference between allocating land and seeing it actually built out is important in understanding and modelling the operation of the system (Bramley et al. 1995, Bramley and Watkins 2014a).

In summary, under a mixed system of government and market intervention, the individual motivations of all actors matter. Indeed the motivations of landowners and developers in particular, and their reactions to particular planning settings under different conditions, are important and under-researched. Even without planning intervention these actors would respond to the market according to their own motivations. This would not necessarily lead to the market delivering new housing supply in response to demand in a way that supports an optimal market equilibrium.

Property rights influence these motivations and decisions to a large degree. Well-defined and enforceable property rights incentivise investment in land and provide a basis for internalising many of the costs and benefits associated with development. However, the transaction costs associated with managing externalities are too high to replace systems of regulation. Further, under a fully privatised system public goods will be undersupplied. Planning intervention seeks to correct market failures arising from these problems, but the results of this intervention may lead to new forms of failure. Therefore, it is important to scrutinise the procedural costs associated with the planning system, and to examine the potential for vested interests to manipulate rules in their favour.

Planning and the Costs of Housing Production

As noted earlier, one of the most direct ways in which planning may influence the housing market, is by altering the costs of housing production. Direct costs include charges and fees associated with securing planning

permission, including application fees and contributions towards local services or infrastructure. Indirect costs include the time and resources deployed in the application process. These include ‘holding’ costs—the interest charges on finance incurred whilst waiting for project approval and professional resources, for instance, the cost of preparing studies or commissioning consultant reports. If permission for a project is refused, developers may choose to finance a court appeal. Some developers are prepared to spend money to create a favourable relationship with decision makers, perhaps through a political donation. These costs are sometimes described as ‘premium- (or rent-) seeking expenditure’ and are more prevalent in jurisdictions where approval stakes are high and/or outcomes are less certain (Evans 2004, p. 108). One example of such a case would be the UK, with its discretionary development control process and restrictive planning stance of ‘containment’. Other cases could include countries where standards of probity in public administration are lower such that developers may allocate expenditure for corrupt payments or benefits in kind.

Indirect costs of planning regulation may arise when requirements are imposed upon developers regarding the size, type, design, form, construction method or materials used in new housing, which they cannot fully recoup from customers. Controversial recent examples in the UK have related to design codes and guides in some areas, dwelling size mix (especially in pressured markets), requirements for ‘accessible lifetime homes’ reflecting ageing/disability trends and much higher minimum energy efficiency standards.

Table 4.1 summarises the range of direct and indirect costs arising from different phases of the planning and housing development process.

Since the cost of housing production is only one factor determining house prices, the extent to which these costs will be passed forward to house buyers depends on market conditions at the time of sale. However, if known in advance, regulatory requirements can be factored into land acquisition decisions, and effectively passed back to land sellers.

Furthermore, although framed in terms of costs, each of the regulatory phases or requirements outlined earlier is intended to meet specific objectives such as environmental protection, the efficient provision of infrastructure and services, or neighbourhood amenity. If effectively implemented, these benefits are likely to be capitalised in final sales prices,

Table 4.1 Planning regulation, housing development and potential direct and indirect costs

Regulatory phase	Housing development sequence	Rationale/benefits	Potential indirect costs	Potential direct costs
Strategic Planning— plan making/ amendment	Where new housing can be located, when	Efficient provision of infrastructure and services.	Zoning/categorisation establishes land development potential so influences value	May be charge if developer has to initiate rezoning
Land use categorisation/ zoning	new housing can be developed	Environmental protection. Avoiding social isolation/exclusion Information about future development prospects. Support dynamic economic growth/ labour supply	Amount of land available may influence land prices Time taken for decision-making	Studies to defend planning proposal/ application
Development controls—density and design requirements	The amount and configuration of new housing, elements of building design	Efficient provision of infrastructure and services. Environmental protection and sustainability. Amenity and heritage. Information/certainty about future change		More expensive materials and finishing Minimum size and parking requirements Increased production costs—but <i>potentially recouped in sales as contribute to amenity</i>

(continued)

Table 4.1 (continued)

Regulatory phase	Housing development sequence	Rationale/benefits	Potential indirect costs	Potential direct costs
Development assessment and approval	Planning approval for housing development	Managing change in urban land use. Protecting community amenity and avoiding negative externalities	Time taken to secure approval. Costs of preparing application.	Application fee. May be fee for other required licences
Assessment and approval/refusal of proposal to carry out change in the use of land (i.e. 'development')		Opportunity for community input to decisions that might affect them	Time/cost of negotiating details	
Services and infrastructure coordination and provision	Contribution towards infrastructure or services (Condition of consent of planning approval)	Facilitating urban development by coordinating and providing basic services. Ensuring quality-shared services that would otherwise be underprovided by market (e.g. open space). Increased value to homeowner/resident	May discourage/displace development if contribution charges are too high/uncertain May distort type of housing produced (e.g. to capture higher value market) Time/cost of negotiating where discretionary	Costs of contribution requirement. May be combination of fees, including contribution set by planning authority and utility/transport charges set by other agencies <i>potentially recouped in sales as contribute to amenity</i>
Regulation of construction process and completion to standards	Construction and completion	Health, safety, environmental protection standards	May reduce industry dynamism/innovation	May be costs to certify completion

Source: Adapted from Gurran et al. (2009, p. 42)

and/or reflected in long-term lower taxes/charges or living costs as well as higher 'quality of life' for residents. Therefore, planning obligations may yield localised or wider 'demand side' effects, as well as also generating price effects arising from negative 'supply side' constraints over time. In short, planning may both raise and lower house prices, through different mechanisms. A fundamental difficulty with analysing the impacts of planning is, therefore, to untangle these two kinds of effects (Monk et al. 1991)

The following sections outline empirical attempts to measure these potential effects.

Establishing and Quantifying the Impact of Planning

Although broad categories of planning regulation and potential cost implications for housing development are readily conceptualised (as given in Table 4.1), it is much more difficult to measure these impacts in a definitive way. In nations characterised by land use zoning and codified development controls, regulations are typically extensive and may vary considerably between otherwise comparable local jurisdictions. For instance, in the USA, thousands of municipalities, cities, counties and towns, have developed their own planning schemes and rules, albeit within legal frameworks set by state governments. This situation has enabled almost infinite variation in local approaches to development control across the major cities of the USA (Pendall et al. 2006; Gyourko et al. 2008). In the UK, although there are fewer local authorities and a national planning framework, the lack of codified regulations means that measuring and comparing local differences in planning approach is equally complex (Bramley 1998, 2014).

Approaches to defining and measuring planning restriction, and estimating its impact, have included:

- Before/after analyses, which follow the introduction of new planning controls or a system change, such as the introduction of zoning (Zhou et al. 2008; McMillen and McDonald 1999), or environmental protections (Chamblee et al. 2009).

- Spatial land capacity analyses, which estimate development opportunity and constraint based on zone coverage and/or the stock of potentially developable residential land (Hui and Ho 2003; Buxton and Taylor 2011; Bramley 2014) (also Bramley and Watkins 1996 *Steering the Housing Market*).
- Rates of development approval/refusal, on the basis that the propensity to approve or refuse housing development is an indication of planning restrictiveness (Hilber and Vermeulen 2009).
- Efficiency measures, such as the speed and timeliness of planning decisions, which are thought to affect both tangible costs for developers (financial holding costs), as well as certainty and confidence in decision outcomes (Ball 2010).
- The cost, design and use of development contributions collected for the provision of infrastructure and other community benefits (Evans-Cowley and Lawhon 2003; Crook et al. 2010).
- Detailed survey-based data on the content of local planning schemes, and in particular restrictiveness relative to plans applying to comparable local areas (Gyourko et al. 2008; Glaeser and Ward 2009; Levine 1999).
- Proxy measures of local government planning commitment and/or development stance. For instance, levels of local authority expenditure on spatial planning activity has been used as a proxy for commitment to and engagement in, comprehensive planning in Florida (Ihlanfeldt 2009); and the political composition of local government representatives has been used as an indication of likelihood to support new development (Kahn 2011; Bramley 2013, 2014).

Of these potential measures, it is possible to further group research approaches according to the particular planning system impact being examined. We distinguish three broad measures of impact: ‘restrictiveness’ (which could apply to either restrictions on the supply of developable land/planning consents, or controls on the density and mix of housing [such as building type, height, floor space regulations, etc.]); ‘uncertainty and delay’ (administrative considerations regarding the time needed to secure rezoning/planning approval and relative predictability of decisions, and the actual time in which this ‘stock’ of potential

housing sites is released relative to the flow of housing completions and infrastructure capacity); and 'costs' (particularly direct costs associated with securing planning approval, such as impact fees or development contributions).

Measuring Constraint: Land Use Zoning, Urban Containment and Restrictive Development Controls

A number of land use planning approaches can operate to restrict the location and intensity of housing development. Land use zoning, which specifies permissible activities on a particular site, is a primary form of restriction. However, the intention of land use zoning is to separate incompatible land uses, rather than to restrict the amount of developable land. Further, land use zoning confers implicit development 'rights', so can theoretically support more responsive housing supply (Barlow 1993). By contrast, an 'urban growth boundary' is one of a number of techniques designed to manage and contain urban growth—and so might be regarded as inherently more restrictive than land use zoning. Given the many different ways of imposing urban growth boundaries, it is difficult to generalise between approaches—for instance, urban growth boundaries may be designated around the edges of existing settlements, requiring all future development to occur within these already built-up areas; or they might be designated many kilometres beyond a current urban periphery, providing for decades of future urban land supply. Another variant is whether the boundary is supported by provision for higher density housing within the perimeter, and whether there is capacity to extend the boundary if limits are reached.

In many nations, urban land use zoning operates as a *de facto* land use boundary, if the activities that may be carried out on rural lands are strictly confined. Thus, similar analytical approaches can be applied to considering the impacts of the imposition of a land use zone, or different zoning configurations, on the housing market.

In an early study of the relationship between land use zoning and house prices, researchers compared prices between areas that had introduced certain land use zoning measures, and neighbouring locations without

these provisions (Pollakowski and Wachter 1990). The study followed 17 different locations covered by the Montgomery County (Maryland) Planning Board, over a 6 year period (1982–1987). A variety of zoning controls and related development regulations were examined. Many of these regulations were explicitly designed to reduce growth, including annual restrictions on the number of building permits able to be issued, minimum housing lot sizes and restrictions on multi-unit dwellings to control overall housing densities, and the practice of ‘downzoning’ (that is, reducing development potential). In seeking to understand the price effect of these regulations, the researchers acknowledged that prices could rise due to amenity (demand) impacts associated with controlled growth, or supply impacts arising from lower levels of new production. They found that price impacts appeared both within the regulated locality and in spillover areas, as the value of developed land (and established housing) rose across the wider urban region. These spillover effects were thought to offer evidence of a supply constraint effect, since the amenity benefits of growth restriction should be confined to the location in which they apply.

A more extensive study of 490 cities and counties in California examined the impact of local growth controls (adopted between 1979 and 1988) on housing construction over the decade from 1980 to 1990 (Levine 1999). The study, which used a survey of local officials to examine the prevalence of specific mechanisms of growth management, found that specific approaches—those which limited the land available for new development, or ‘downsized’ existing development potential, had the effect of displacing new construction, especially rental housing, and increasing the expansion of metropolitan areas overall (into less regulated locations). By demonstrating the differential effects of specific growth management approaches, the study seems to provide further support for Pollakowski and Wachter’s proposition that regulatory restrictions on supply, rather than amenity effects, have the greatest impacts on price.

Several other studies have compiled detailed data on local planning controls to measure effects on housing development and prices in parts of the USA (Levine 1999; Pendall 2000; Gyourko et al. 2008; Glaeser and Ward 2009), controlling for endogenous spatial and geographical

features of the housing market (Hui and Ho 2003). Such work allows closer examination of the ways in which specific types of regulation operate to constrain supply rather than accommodating and even facilitating growth in a managed way (Pendall et al. 2006; Landis 2006).

Central/state government policy positions or mandates can influence the degree of restrictiveness or latitude of local planning instruments (Chamblee et al. 2009; Hui and Ho 2003; Monk and Whitehead 1999; Cotteleer and Peerlings 2010). Under discretionary planning systems, interpretation by local planners of these policy mandates also becomes important (Monk and Whitehead 1999). In the context of the 'discretionary' UK system, Bramley (1998, 2013) developed a series of measures of potential planning system impact. Of particular importance in both studies were: the amount of 'unconstrained land' (non-built-up, and not subject to strong regulatory restraint designations like Green Belt), the stock of land already permitted or allocated in plans, strategic targets (when these existed), and (to a lesser extent) indicators of the suitability/difficulty of the land available (site size, brownfield, etc.), indicators of levels of affordable/social housebuilding supported, and indicators of informal constraint policies as well as success rates of planning applications (although this variable was particularly weak). Taken together with some market variables, these were found to be the best predictors of key outputs, such as the flow of new planning permissions, or new build completions at local area scale. At the local level these factors also significantly influenced wider outcomes including house prices, density and the proportion of apartments.

'NIMBYISM' and Home Owners

A distinct trajectory of studies point to relationships between demographic characteristics and variations in local planning controls, as evidence of the 'endogenous'¹ influence of homeowner interests in supporting particular

¹ Simple economic models tend to try to explain variations in one particular factor (named in the model as 'Y') from variations in one or more 'independent' or 'exogenous' factors (i.e. factors which are unrelated to the factor 'Y'). These exogenous factors are typically named in the model as 'X1', 'X2', and so on. However, if one of these variables is in fact determined within the same system, that is influenced by some of the same variables, or even by factor Y, then it is said to be 'endoge-

types of planning regulation (Carruthers 2002; Schuetz 2009; Quigley 2004; Kahn 2011). Glaeser and Ward (2009) found that demographic factors as well as historical patterns of density were sufficient to explain variation in planning control across a substantial database of regulations applying to local jurisdictions in the State of Massachusetts, whilst demographic features have also partially explained propensity to adopt local impact fees in King County, Washington (Mathur et al. 2009). Bramley and Watkins (2014b) show the expected association of attitudinal stances to planning for new housing with class, tenure, political affiliation and other demographics, and that this is quite closely related to actual stances at the local level (Matthews et al. 2015).

This implies a somewhat circular relationship between local community interests, planning controls, and housing supply and price outcomes, making it difficult to determine causality. At least one study has used this modelled relationship to assert that planning controls actually follow, rather than drive, the market (Pogodzinski and Sass 1994).

Community views about, and resistance to, development can have several effects—influencing decision makers about the amount and location of land to be allocated for housing, the restrictiveness of development controls governing the density and design of housing, and the views of local officials in relation to specific development proposals. The timing and extent of community consultation in the planning decision process has a major impact on the extent to which resident views operate to slow or constrain housing development within a particular area. Similarly, the capacity for local residents to legally challenge decisions to approve housing development can also introduce delays and costs to the planning process. Such constraints add to development costs and can have disproportionate effects on the supply of affordable housing.

In both the UK and the USA, local authorities have significant power over local planning frameworks and decisions. In some jurisdictions, however, the role of local residents in influencing planning regulations may be restricted by central government or state laws. For instance, in

nous'. Untangling the effects of the different variables on each other is more difficult in this case; although there are analytical techniques which can be applied, these are demanding and not fool-proof.

Massachusetts, the state is able to overrule local planning provisions under certain circumstances, to enable affordable housing development, whilst in other states there are requirements for local authorities to accept 'regional fair shares' of new and affordable homes (Lewis 2005). In Australia where local governments are beholden to state legislation and subject to strong state oversight of planning decisions, some jurisdictions have enacted planning controls which override local restrictions on diverse or higher density housing types (Gurran 2011).

At the same time, the housing and development industry is comprised of different types of firms who operate in response to different opportunities and constraints. Even a highly restrictive planning framework might provide comparative advantages for certain types of developers who are able to operate within these parameters, or might establish the conditions of certainty needed to bring forward investment. It is also clear from UK experience with planning obligations that the land market can adapt over time to the imposition of additional planning obligations, so long as there is a stable policy commitment to these being imposed. This makes efforts to define and measure planning constraint particularly complex.

Obligations to contribute to affordable housing—through a financial contribution or by dedicating part of the site or development to provide housing for lower-income groups, raise particular issues. Such obligations are often challenged by arguments that development costs will be passed on to new house buyers in the form of higher prices, or that they will act as a deterrent to development overall. Research in the USA suggests that negative impacts are likely to be minor (Bento et al. 2009), although in some instances the affordable housing benefits may also be overstated (Schuetz et al. 2011). These issues are considered further in Chap. 11.

Discretion, Uncertainty and Time

The problem of measuring planning constraint is a particular challenge in jurisdictions where planning decisions involve a determination based on 'merit', and the exercise of discretion, rather than compliance with a zone or development code. In these contexts, proxy indicators of planning system constraint, such as the time taken to issue a planning permit (Ball 2010),

and developer perceptions of the likelihood of gaining approval (Monk et al. 1996), have been used. Residential approval and refusal rates, and rates of planning appeals, might also be indicators of a responsive or sluggish planning system (Hui and Ho 2003). Such measures have become a focus for government reviews of planning system performance in relation to housing supply and affordability, particularly in the UK (Barker 2008), and, increasingly, in Australia, where local authorities are accountable for decision times and rates of residential development approval (Local Government and Planning Ministers' Council 2011).

Further, planning system delay—often associated with the need to exhibit or refer a proposal to certain groups, or indecision within elected authorities—is often nominated by housing developers as a key factor undermining new housing supply. Since all planning decision processes take time (and housing itself takes a considerable period of time to produce), this issue is one of the key factors affecting the inherent 'stickiness' (inelasticity) of housing supply responses to changes in demand. Lengthy decision processes also add costs to the development process, although these costs can also in theory be passed back to the landholder, when they are accounted for in feasibility analysis. However, as noted earlier, and industry complaints about procedural delays notwithstanding, the release of sites and dwellings to market will also follow a particular timeframe, calculated to optimise revenue.

Related to time is the issue of 'complexity'—that is, the extent to which the regulatory framework represents a straightforward path with clear requirements able to be factored into land acquisition decisions—or contains complex and ambiguous rules and processes for applicants to follow. Determining the relative complexity of planning regulations is a matter for subjective judgement, however. For instance, plan 'templates' for adoption by local authorities are used in some jurisdictions to promote standardisation, but the burden of needing to call up consistent regulations defined for many different scenarios can result in more complex planning instruments than a tailored local plan might otherwise present. Alternatively, it may be that some developers are more likely to operate within local areas where they are familiar with the planning requirements, so regulatory complexity in this scenario might not deter or even slow development in practice.

‘Certainty’ is another concept which is often thought to support development, but can mean different things to different groups. Local residents seek certainty about what types of development are likely to occur in their locality, which can imply very stringent and restrictive planning instruments, for example the ‘exclusionary zoning’ often criticised in US suburban areas (Pendall 2000). Rigid regulatory frameworks can have house price effects by reducing the amount of development permitted within an area (a supply constraint) as well as increasing perceived amenity associated with the preservation of existing character (a demand effect). Further, it is clearly important for developers to be able to predict what types of development will and will not be permitted before deciding whether to acquire a particular site, and the price that should be paid. At the same time, if additional—unexpected uses—are permitted by the planning authority once the site has been acquired by the developer, total development profits will increase, so developers will also argue for a flexible planning system as well.

Sometimes, for reasons explained earlier, rates of approval/refusal by planning authorities are used to infer the relative degrees of certainty and restrictiveness within a local planning system. Decision times are sometimes also used as a measure of the ‘responsiveness’ of the planning system and the extent to which planning processes are restricting new housing supply. However, care must be taken in interpreting both of these indicators, since they are highly contingent on the scope of the planning regulatory framework itself, as well as the state of the market. For instance, a planning system characterised by a high degree of planning regulation—that is, one which requires planning permission for most activities—should be characterised by high rates of planning approval and rapid timeframes, since the majority of proposals will have minor impacts. By contrast, a looser regulatory regime requiring planning scrutiny of significant and more complex projects only should be associated with more refusals overall, and lengthier decision times, as the potential impacts are considered and mitigated where possible through the planning process.

There is evidence that the success/approval rate of applications is inversely proportional to the state of the market—in a buoyant market developers make more speculative ‘non-conforming’ applications, which are more likely to be refused but still have some chance of success (Bramley 1998; Hilber and Vermeulen 2010). This is also more likely

in a context where the planning and policy framework is out-of-date or unclear. Similarly, faster approvals (measured by decision times and approval ratios) could mean a highly efficient local authority able to facilitate fast and appropriate planning permissions, but this might not necessarily translate into housing completions or to net additions to the overall dwelling supply, due to other market factors. Equally, faster approvals might reflect fewer applications, lower planning standards, and/or poorer development outcomes in turn, leading to lower prices within a particular area due to compromised amenity.

A number of studies have pointed to the tendency for private housing developers to pace the speed at which homes are completed and offered to market, despite buoyant conditions (Adams et al. 2009; Guthrie 2010). The value of waiting to develop housing at some point in the future, rather than immediately capitalising on market opportunity, is increased under conditions of market uncertainty.

Some studies have investigated how the value of waiting, or of options to develop, interact with development regulations (Cunningham 2007, Turnbull 2005) (Cunningham, 2007; Turnbull, 2005). By reducing uncertainty, some planning restrictions may even have the perverse and unintended effect of stimulating development:

“It is shown that the initiation of height restrictions, perhaps for the purpose of limiting growth in an area, may lead to an increase in building activity in the area because of the consequent decrease in uncertainty regarding the optimal height of the buildings.” (Titman 1985 p. 506)

In effect, the land use regulation reduces the ‘option’ value of the land by clarifying its development potential, and in so doing lowers the hurdle for development to proceed in the current market cycle. However, the opposite can also be true. Where planning controls *over-allocate* development opportunity relative to market viability, the option of waiting to develop is likely to be more valuable than moving forward with a smaller scheme:

“If there is a lot of uncertainty about future real estate prices, then the option to select the type of building in the future is relatively more valuable than the option of developing it now. This makes the decision to develop the land at the current time relatively less attractive.” (Titman 1985, p. 506)

Particular regulatory levers or settings might have unrecognised impacts on the timing of supply decisions. For instance, although conventional wisdom suggests that housing production will be less responsive under uncertain planning regimes, others argue that this uncertainty may prompt larger developers to ‘warehouse’ sites with planning permission so they are ready to increase production at the optimum point in the market cycle (McLaughlin 2014). This would imply a counter-intuitive outcome in which developers were able to be more rather than less responsive to changes in market demand². It might also be theorised that the market for sites with planning approval would be stronger in jurisdictions where planning approval itself is regarded to be in short supply. Such practices may be more prevalent under conditions of uncertainty, suggesting that certain attributes of planning systems might affect different types of firms in different ways (Leishman 2015).

Estimating Costs

Growth boundaries, land use zones and specific development controls, have indirect costs for housing development, as they interact with the value of land and the costs of land acquisition and of new housing production. There is also a series of direct costs and charges which range from administrative fees (and the fees required for consultancy reports and professionals) for the application process through to contributions made to the planning and/or infrastructure authority for the provision of shared public facilities and services. Sometimes, these contributions include affordable housing. The time taken to secure project approval (through to the completion of the project and the issuing of a final certificate to enable occupation) also represents ‘holding costs’—in essence the interest paid (or foregone) on the project’s finance.

² In some jurisdictions this is not a costless process—in the UK, requests to renew planning permission attracts a fee and requires a supporting application scheme prepared by consultants. However in other nations—such as Australia—a development is said to ‘commence’ with almost any action (including demolition or clearing of vegetation), and the simple act of commencement preserves the permission, with no capacity to oblige developers to complete.

Developer contributions towards shared infrastructure and other services (often called ‘impact fees’ in the USA, and ‘planning gain’ in the UK) have attracted particular scrutiny in the literature, particularly in the USA. In theory, known costs—such as development contributions towards community facilities and infrastructure—are able to be ‘pushed back’ to the landowner, since they are factored into feasibility appraisal which determines the bid value of land. The extent to which the other regulatory costs associated with development are able to be factored into land acquisition decisions depends on the extent to which the planning process offers predictability or certainty, and the level of competition between other potential land purchasers. It also depends upon the overall profitability of housing development and the implicit level of land values resulting, compared with the value of land in existing uses and the willingness of landowners to sell.

Most studies imply that, although compulsory infrastructure contributions represent a cost of producing housing along with other planning requirements, the extent of this impact on final house prices depends on the market at the time (Evans-Cowley and Lawhon 2003; Gurran et al. 2009). It could be argued for instance, that under strong market conditions, price premiums will be charged irrespective of the level of compulsory contributions towards local facilities. In a buoyant market, it is easier to pass compulsory costs forward to buyers, which is what developers will try to do if these extra costs are imposed after they have bought the land, but it is equally likely that buyers will value the amenity and infrastructure provided.

Concerns arise in slow housing markets over the viability of heavy contribution regimes. Local authorities wishing to encourage regeneration of areas with weaker markets are likely to waive contributions as a form of subsidy to encourage development activity. Like the other categories of planning control outlined earlier, the effects of contributions are likely to vary according to the ways in which they are imposed. For instance, a levy which is calculated as a proportion of capital investment value should in theory have little impact on the overall viability of development, nor is the levy likely to influence the type or quantity of housing produced. By contrast, a high flat rate levy applied to individual dwellings may discourage housing production, or perversely, encourage

the production of fewer, larger homes, with higher profit margins, since the regulatory tax becomes a smaller proportion of the total development cost. On the other hand, if levies are attached to land area, in theory the most efficient use of the land will be encouraged, since levies will be a smaller proportion of costs for more intense, profitable development.

Development contributions can therefore have implications for the design and quantity of housing in ways that are different from the impacts of land use controls described earlier. As well as influencing developer behaviour, it is likely that contribution requirements may also influence landholders as well, who may be unwilling to sell their land for development if the contribution regime reduces the value of the land significantly below their expectations. It is essential to have a long-term policy commitment and stable contribution regime to avoid this problem, but behind-the-scenes lobbying by both developer and landowner interests may undermine these efforts. Finally, it is important to note that when development contributions fund essential infrastructure, it is likely that the contribution supports development that might not otherwise occur (Burge and Ihlanfeldt 2006). Therefore, development contributions may increase housing supply but also increase house prices as infrastructure is capitalised into home values.

Housing Supply and House Prices

Evidence of the scale of price impact associated with planning-induced supply constraints is complex, with studies from both the USA and the UK suggesting that a relatively large relaxation of planning controls (designed to increase rates of housing development substantially) would be needed to appreciably impact on housing output, prices and affordability (Aura and Davidoff 2008; Ball 2010). This is due to two factors: firstly, to ensure development at the required quantity it is necessary to significantly over-allocate land, since not all available land will be taken up by developers (Bramley and Watkins 2014); and secondly, new supply makes only a small difference to the stock of housing in the short term because it is the balance between stock and household demand which

is crucial in determining prices (Meen 2011). Bramley (2013) reviews UK attempts to model the housing market effects of planning and finds a range of values. For example, using the DCLG/Reading 'Affordability Model' (Meen 2011) shows that the proportional reduction in price is around 10–20 % of the magnitude of the increase in housing supply. Some other models give somewhat higher estimates, including the author's sub-regional housing market model for England whereby a sustained increase in supply of around 20 % leads to a proportional improvement in 'affordability' (for aspiring first home buyers) of about 4–5 % (Bramley 2013, 2016, Table 2; Bramley and Watkins 2016).

A moderate reduction in house price may make for a sizeable improvement in affordability, in a region where a lot of households are clustered around the relevant level of income. However, the 'political economy' of this policy still looks relatively unattractive in terms of the large, widely spread extra housing to be planned to achieve modest longer-term gains.

'Good Planning' and Demand

Some studies suggest that planning requirements decrease land values, consistent with the expected impact of regulatory obligation, but increase house prices. This implies a demand effect associated with increased amenity created by planned urban development (Ihlanfeldt 2007), but may also reflect a supply effect as noted earlier. This has become a dilemma under planning regimes which seek to promote housing affordability through principles of good design.

For instance, a review of 152 'new urbanist' planned communities throughout the USA, found that all schemes included objectives for diverse and affordable housing (Talen 2010). However, only nine communities offered homes for sale at prices affordable to households on the area median income. Overall only 15 % of sampled communities included dedicated affordable housing, much of which had been subsidised by other financial programmes.

This research suggests that supply- and design-based strategies alone are not enough to secure affordable housing in new development.

Infrastructure and Related Urban Policy Interventions

The discussion so far has focussed on regulatory planning requirements and their potential impacts on the land and housing market. However, the effects of regulatory planning on the demand or supply of housing, are often outweighed by the wider urban system. This includes pre-existing regional infrastructure and patterns of economic and employment concentration, as well as wider urban policy decisions which also shape the trajectory of metropolitan and regional growth and change. An example of the former kind is the situation of 'world cities' like London, which have a high concentration of infrastructure (e.g. most of the UK's electrified rail lines radiate from London) and which display a higher level of economic dynamism than the rest of the country, leading to an ever-more overheated regional housing market.

There is a stream of literature which examines the localised price effects of particular urban policy interventions, such as the announcement of a new rail line, amenities, such as open space, and facilities like schools (Clapp, Nanda, & Ross, 2008; Gibbons & Machin, 2008). Other studies price dis-amenity effects of infrastructure siting, such as waste facilities or freeways (Farber, 1998). Whilst it is important that the housing implications of these urban policy decisions be properly understood, it is difficult to generalise about these processes which vary between jurisdictions, with some jurisdictions ensuring that infrastructure decisions follow projected housing trends and requirements, and others allowing infrastructure decisions to shape urban outcomes, as discussed later in this book with reference to the case of Hong Kong.

One insight from this literature is the potential catalysing effects of infrastructure investment for failing housing markets. This presents a dilemma whereby interventions to make inaccessible, lower-priced locations more accessible, can also have the effect of pricing out lower-income renters, unless mechanisms for maintaining the supply of affordable housing are embedded in the development process. For these reasons, approaches which seek to 'capture' some of the increased value associated with public investment, are important considerations. These approaches are outlined in general terms in Table 4.2 and considered again in greater length in Chaps. 10 and 11 of this book.

Table 4.2 Offsetting cost and supply impacts of planning requirements

Planning requirement/ constraint	Techniques for offsetting impacts on the cost of housing production
Urban growth boundary	Plentiful land for housing development/higher density development within boundary
Environmental regulations/ restrictions	Clarity in requirements, codification (automatic approval for 'complying' proposals), alternative development opportunities provided elsewhere within locality
Impact fees/ development contributions	Certainty, consistency in application, proportionality, demonstrable benefit provided, non-distortionary mechanism for 'value capture'—that is, capturing a portion of land value uplift arising from a planning decision or public investment (e.g. infrastructure investment)
Local resident opposition to change ('NIMBYISM')	'Up front' planning, codification of simple development forms, no third party appeals, depoliticised decision-making
Slow decision times/ process inefficiency	Pre-application meetings, automatic approvals, codification

Source: The authors, adapted from Gurran et al. (2009)

Conclusion: Unresolved Debates About the Impacts of Planning on Housing Supply and Affordability

In summary, scholarly research into the impacts of planning, as a form of government intervention on the housing market, has loosely followed the key evolutions of regulatory development control. The implementation of land use zoning in the USA, and urban containment measures in the UK, sparked the stream of studies seeking to measure the impacts of constraining the location and quantity of land available for new housing production, beyond natural topographic and environmental constraints. Whilst this work has continued, a series of studies also consider the impacts of regulatory requirements governing the density and design of residential development on the opportunities for diverse and affordable housing, particularly in the USA. Another body of work examines the extent to which regulatory and procedural burdens, which increase the time, cost and uncertainty of securing planning approval, might have

flow-on impacts for the quantity and price of new homes. Financial or in kind contributions towards infrastructure provision or other community requirements have also been examined. Finally, in nations where rates of new housing production have been sluggish relative to household growth, there have been a series of government inquiries and reforms designed to overcome perceived planning system barriers to housing production.

The weight of early empirical evidence suggests that planning can decrease rates of housing supply, whilst increasing house prices, but much of this work is based on limited data sources and applies to specific jurisdictions. Later studies have confirmed relationships between increased planning regulation and house prices, but imply more complex causal explanations between the operation of the planning system overall or the specific control; the particular housing market setting or cycle; and particular characteristics of the local community. Several studies have also pointed to the potential for positive housing market outcomes to arise from specific forms of intervention, such as the effective use of impact fees to ensure local infrastructure provision (Mathur et al. 2004), or the promulgation of clear controls to promote certainty and investor confidence (White and Allmendinger 2003).

The literature suggests that planning system impacts on the housing market will be influenced by characteristics of the overarching jurisdiction, such as the ways in which regulatory controls are expressed and implemented, or the degree of discretion versus codification in planning decisions. These system-wide settings will interact with local factors influenced by local community attitudes towards development, and overarching housing market conditions and fluctuations, with planning regulations likely to have differential impacts in rising and declining markets, and in high- and low-value settings. Local attitudes and local authority decisions may also be significantly influenced by fiscal incentives and the ways in which infrastructure is funded.

At the beginning of this chapter, it was recognised that systems of planning regulation are far from perfect. Whilst much of the research and literature on the relationships between planning and the housing market focusses on unintended impacts arising from regulation as a supply constraint, wider spatial policy objectives associated with the planning system are often underplayed. There are a number of specific

techniques to offset the potential unintended impacts of planning regulation on housing production. As shown in Table 4.2, these include balancing urban growth boundaries with mechanisms to accommodate more intense and diverse housing supply within designated urban areas. The cost impact of stringent environmental controls can be minimised by ensuring controls are clear and consistently applied. Infrastructure contribution requirements must be predictable and proportionate to the scale of development. Procedural delays and risks associated with consultation processes are able to be contained when low impact and preferred development types are codified, minimising discretion and potential political interference.

International comparison offers a basis for drawing on and utilising insights from the different studies carried out in particular jurisdictions; these may be likened to ‘natural experiments into what might happen if a planning system was different. To undertake valid comparison, however, it is important to be able to properly conceptualise different approaches to planning regulation in a systematic way. Obtaining an objective and comparative insight into the actual regulatory controls applying to a particular location—through a survey of regulations, or of planners, or via an analysis of actual decision patterns linked to the flow of sites with development approval, provides a more rigorous basis for measuring relative planning constraint.

Even so, it is worth asking whether the impact of planning relative to other market determinants, or the organisation and financing of housing development, may be overstated. As argued in relation to the Australian case at least, planning system ‘reform’ has offered a more politically palatable response to house price inflation and affordability pressures than changes to the generous taxation settings which drive demand (and benefit existing property owners at the expense of aspiring first home buyers and renters). However, dismantling planning controls to stimulate increased housing development may have weak supply and price impacts in the short term (particularly in a slow market) but deliver strong amenity drawbacks over time. This is a rich field for comparative research beyond the specific domains of the UK and USA. Even so, it is clear that both ‘good’ (amenity generating) and negative (supply constraining) aspects of planning may have price effects, which undermine affordability

for lower-income groups. It is often the case that such effects are unforeseen or unnoticed. Therefore an important research and policy question is how to create value through good planning and infrastructure investment, without displacing affordable housing opportunities. An important part of this question is clearly to embed affordable housing expectations when land is reserved for housing development, and to help reduce the costs of delivering diverse and affordable housing through innovative design. The following section of the book examines the ways in which these issues have played out on the ground.

Part II

International Perspectives on Planning, Housing Supply and Affordability

This part contains a series of empirical case study chapters, examining the ways in which systems of urban governance and housing provision have evolved in Britain, the USA, Ireland, Hong Kong/China and Australia. These countries represent a spectrum of approaches to urban regulation and housing policy, in the context of very different settlement geographies, demographic trends and governance arrangements. All countries face comparable challenges of rising inequality, global economic and environmental uncertainty, demographic change, all of which have played out in housing system instability and deepening affordability problems for low and moderate income earners. Yet to date the range of approaches adopted to address these challenges appear bounded by culturally embedded notions about property ownership and housing development, as well as long-standing political forces. Collectively, the case studies presented in the following chapters present no easy answers to debates about whether these countries are exhibiting convergence in response to common challenges, or remain bound by historically determined path dependencies. Nevertheless, for researchers, policy makers, and practitioners keen to gain clearer insights into the underlying nature of urban and housing problems, there is value in careful and systematic comparison with other places. Such comparison can expose the ways in which long-standing traditions of administration and politics come to delimit the local policy imagination. Informed comparison can also highlight the futility in

superficial forms of policy 'shopping' or 'mimicry' where the aesthetic or language of a policy or programme is imported from overseas without attention to context. At the same time, and as we think the very mixed housing and planning practices and experiences outlined in the following chapters show, comparative research also offers a powerful lens for lesson learning and policy development.

5

Planning, Housing Supply and Affordable Provision in Britain

There are a number of reasons for looking at the British experience of planning for housing, from a wider international perspective. Firstly, Britain may be characterised as having a relatively ‘mature’, well-established planning system. However, notwithstanding the intellectual influence of British planning on other countries, the British approach to planning is somewhat distinct from that in many other countries, as explained in Chap. 2. Its distinctiveness rests within two key features: the discretionary nature of local planning approval and the policy-led approach. These features affect the bargaining power and nature of the game played out between local planning authorities and private landowners/developers, in a way that contrasts markedly with countries (such as the USA and Australia) where the system is more characterised by zoning and associated legal rights to develop land. We argue that the British approach has two main kinds of effect relevant to the central themes of this book: on the one hand, a tendency to restrict the level and responsiveness of overall housing supply, but on the other a greatly enhanced capacity and actually realised experience in delivering affordable housing alongside market housing.

The first of these effects is not new (Hall et al. 1973), but arguably became more chronic in the last decade or so, partly because of the challenge of enormously increased demographic growth (Bramley 2015; ONS 2014) and partly because of the policy turn towards ‘environmental sustainability’ since the early 1990s (Adams and Watkins 2002; Gallent and Tewdwr-Jones 2007; Rydin 2003; Cullingworth and Nadin 1994). The second effect is, as we shall show, contingent upon the British approach to planning, but also reflects a tradition of having a relatively large public/social housing sector and local authorities which played a key role in developing and managing this housing (Monk 2010). One can also point now to the existence of a well-established sector of non-profit third sector providers of social and affordable housing, more highly developed than in many other countries, as a vehicle to deliver and manage such housing.

In this chapter, we first review relevant features of the planning system and assess some significant changes instituted over the last decade or so. Secondly, we offer a critique of the system as it has operated in practice, particularly from the viewpoint of delivering an enhanced overall supply of housing. Thirdly, we describe and assess the way in which affordable housing is delivered, and particularly the growing extent to which this has entailed the use of planning powers and mechanisms. Whilst offering a positive example, in conclusion, we recognise current and recent policy changes which position social and affordable housing at something of a crossroads in ‘Austerity Britain’, with a less certain future. Whilst the main focus is upon England, rightly because this is the main focus of both housing pressures and policy innovation, we do refer from time to time to differences in the devolved countries’ arrangements, particularly Scotland (Pawson and Davidson 2008).

The Planning System

Origins

As we explained in Chap. 2, the origins of planning in Britain are generally traced from nineteenth century reaction against the squalor of industrial cities, the introduction of basic public health principles and then the

promotion of more utopian visions for healthy housing and communities, inspired by the model schemes of philanthropists. Whilst these ideas had great currency in the early years of the twentieth century, the various legislative attempts at providing for town planning schemes were notably unsuccessful in the interwar period (Cullingworth and Nadin 1994, chap. 1). These schemes for regulatory zoning control were cumbersome, incomplete and ineffective at directing change, partly because of the problem of compensation (landowners had to be compensated if their land was zoned for a lower-valued use) and partly because of the fiscal incentives local authorities had to facilitate development (in the absence of equalisation grants). At the same time, the country experienced in the 1930s an unprecedented tide of suburbanising development, which reconfigured the urban form ('sprawl' and 'ribbon development' being terms commonly used) and, along with the development of motorised road transport, threw up major new issues of congestion. World War II highlighted the need to rebalance economic development across the country, whilst also demonstrating the feasibility of much more directive government control of economic and social life.

The stage was therefore set for establishing a more comprehensive and effective system, with a clearer vision for the kinds of urban development and renewal that would be needed post-war. This was enacted through the *Town and Country Planning Act 1947* and other parallel legislation on New Towns, Distribution of Industry, National Parks and Countryside. The essential character of the system established then has been maintained through subsequent consolidating and updating legislation, particularly the 1990 *Town and Country Planning* and the 1991 *Planning and Compensation Acts*.

Core Principles

The 1947 Act effectively separated land use rights from land ownership rights, and assigned control over the former to the state (acting primarily through local authorities). Most forms of development or substantive changes of land use require explicit planning permission, for which application must be made to the local planning authority. The authority,

whilst it is urged to process the application with due speed and diligence, has substantial *discretion* over whether to grant planning permission and with what conditions or obligations attached (Grant 1992). The planning authority must have regard to the provisions of the development plan (which may or may not have ‘allocated’ the site for housing or whatever the relevant use is) and to *other material considerations*, which will certainly include the policies contained in any planning documents and the policies set out by central government in the *National Planning Guidance*. Landowners/developers may appeal against refusal of planning permission, and in that case a quasi-independent planning inspectorate (reporters in Scotland) will assess the case against the aforementioned criteria, again applying judgement (and with an eye on precedent).

Such a system is clearly quite distinct from a pure zoning system, where the landowner has an effective right to develop in accordance with the zoning—however, it is less clearly distinct from a system where ‘rezoning’ is common, and more discretionary (Cullingworth 1997). There is significant indeterminacy in the system, with room for negotiation and ‘gaming’ the system, but also much scope for delay and frustration. It may be termed a ‘merit-based’ system, where development proposals increase their chances of approval by ticking boxes in terms of plan and policy conformity, including a range of ‘sustainability’ criteria (DCLG 2013). It is also supposed to be a ‘plan-based’ system, whereby most if not all authorities maintain their local plans (local development frameworks) in an up-to-date fashion and in conformity with national policy guidance. However, repeatedly since the 1980s the system has failed to deliver up-to-date approved local plans in many areas (Baker Associates 2008), partly owing to the cumbersome procedural stages involved in order to give plans the ‘legitimacy’ conferred by extensive public consultation, and partly to the serious and worsening shortage of professional resources in local planning departments. Formal plans can also be overtaken by ad hoc opportunist decisions, typically motivated by claims about the promotion of economic growth, sometimes termed ‘project planning’ (Healey 1997; Bramley and Kirk 2005). Over time, central government has become more prescriptive in its policy guidance, culminating in the National Planning Framework (DCLG 2013) and its equivalent in Scotland (Scottish Planning Policy). Thus, overall we would characterise

the system as procedurally one characterised by local discretion but substantially policy-based. In an international comparative review, Oxley et al. (2009) highlighted the considerable scope for negotiation late in the process, which allowed more flexibility but at a cost of greater uncertainty. They also pointed to the lack of capacity in England for proactive policy-driven land assembly and supply, in contrast to several countries with a more successful record (the Netherlands, Germany and France).

Substantive Policies

Having described the main features of the system from a procedural point of view, what can one say about its main substantive policy stances towards housing? Probably the most abiding and pervasive feature of British planning, particularly applied to housing, is the emphasis on ‘urban containment’ (Hall et al. 1973; Champion 2002). This originated as a clear reaction against the ‘urban sprawl’ of the 1930s, but has been progressively reinforced by the conjunction of different policy and political influences up to the present day. Thus, it has served the wishes of Conservative politicians representing rural or peri-urban constituencies to resist large scale urban incursions, as well as that of Labour councils in cities wishing to hold on to their population and voters (Dunleavy 1981). It served the early-post-war drive to promote home-grown food, by protecting agricultural land, long after such policies ceased to make sense in the context of European Union (EU) food mountains and set-aside (Cheshire et al. 2014). It saved on resource costs for public infrastructure. It appeared to chime well with the newly emerging ‘sustainability’ agenda in planning, which became strongly associated with ‘compact cities’ (Jenks et al. 1996), primarily on the grounds of less car-dependence and transport emissions, and intellectually linked with the ‘new urbanist’ movement from the USA. The desire to promote urban regeneration and ‘renaissance’ gave a further boost to this strand of policy (Rogers/DETR 1999a).

The policy instruments which promote containment are, most obviously, the green belts around many (but not all) major cities and historic towns, originally proposed in the 1930s but implemented formally from the 1950s. However, more pervasive UK planning norms also reinforce

containment: the general presumption against isolated or scattered development in the countryside; the designation of ‘envelopes’ around villages and larger settlements, implying a presumption against development outside these (Satsangi et al. 2010); the relatively short time horizons of plans, which militate against identification of major urban extension locations (School of Planning and Housing 2000). From the 1990s, also, an obsessive policy concern with raising the share of new development built on ‘brownfield’ (previously developed), land became a key performance indicator, arguably at the expense of ensuring an adequate supply of land in total (Bramley 2007).

The politics of containment continue to exert a significant hold on policymakers in England, especially, reinforced by the lobbying power of bodies such as the Council for the Protection of Rural England (CPRE), who ally a widespread deep affection for the countryside to the maintenance of persistent myths about the extent of urbanisation and the ‘threat’ posed by new housing (Cheshire et al. 2014; Evans 1991; Evans and Hartwich 2005; Taylor and Walker 2015). This hold is exemplified by the restatement of commitment to the green belt by the Conservative party in its successful 2015 election campaign, despite the manifest contradiction between this and rational solutions to the housing supply crisis promoted by a wide range of professional opinion.

Some other features of British planning policies and norms for housing are partly consequential on or associated with containment. British suburban housing densities are typically well above those traditionally seen in North America or Australasia. Attempts to promote high-rise housing in the public sector in the 1960s led to often unsuccessful and arguably inappropriate high-rise housing in peripheral estates (Dunleavy 1981). More recently, the drive to urban renaissance and brownfield emphasis contributed to a marked rise in densities in the mid-2000s (Dunse et al. 2013); this was also reinforced by market conditions for a period, before the market for city-centre and waterfront apartments became glutted.

Policies regarding socio-economic and tenure mix of housing schemes and communities are discussed further later on, in the context of ‘affordable’ and ‘inclusionary’ housing. Suffice to say that the history of policy here is pretty mixed to say the least, with traditional segregation between private and public sectors consequent on the traditional local authority housebuilding model. Whilst policymakers became more interested in

mixed and balanced communities as a goal in the 2000s, the academic evidence base to support these goals remains fairly ambiguous.

An oft-heard critique of much new (suburban) housing from the 1950s through to the 1980s was that it was bland, soul-less and lacking in local facilities which could promote a sense and practice of community. Some of the resistance of local communities to new development reflected that experience. Thus, there was a good rationale for the ideas promoted in the *Sustainable Communities Plan* (ODPM 2003) and subsequently to use better design and attention to infrastructure in order to build communities which were more sustainable socially as well as environmentally, because hopefully this would build more support for new development (see also Bramley 2012b, Matthews et al 2014). A similar case can be made for the current flirtation with neighbourhood planning which purports to deliver planning powers to the neighbourhood scale (Matthews et al. 2014). However, there is less consensus about exactly what social sustainability, in particular, implies about 'best practice' in the design of new communities (Bramley et al. 2009; Dempsey et al. 2009).

It is sometimes instructive to ask what is not present, in a policy framework, as well as what is. It can be argued that the most obvious 'housing policy' which was largely absent in England, from about 1976 to about 2003, was a policy for overall housing supply (Bramley 2007; Barker 2004). There are a number of reasons for this absence, including the downturn in demographic growth, the 'solving' of the main post-World War II housing problems and the shift towards neoliberal pro-market ideologies. However, the decade of the 2000s provided a rude awakening and sudden rediscovery of housing supply as a problem. Whilst housing supply may still not be the top item on the policy agenda, it remains on the list of problematic issues which government has not fully got a grip of, which impact on the lives and aspirations of mainstream groups (e.g. young aspirant homeowners in 'generation rent') and which is linked to other issues which are politically sensitive (e.g. immigration).

The lack of policy focus on housing supply in England may be contrasted with the situation in a number of other countries, including Ireland and Spain discussed elsewhere in this volume. In these cases, construction and real estate development became a very large sector in the overall economy, accounting for a large part of the growth in GDP and employment at the national level and in many localities. National



Illustration 5.1 Local authority housing, Scotland. *Local authority high-rise public tower blocks epitomised government housing provision during the modernist era.*

(Image credit: Nicole Gurran 2014)

and local governments adopted an overwhelmingly positive stance towards the housing sector, which has been characterised in some literature as a form of ‘Keynesianism’ (Norris and Coates 2014), but were unfortunately blind to the dangers excess speculative development posed for economic stability. We are not necessarily arguing that in Britain governments (national and local) are not interested in promoting economic development—far from it—but the perceived reality in Britain is that housing is at best a relatively marginal sector in the economy and that new housing development imposes costs as well as benefits, without being particularly critical to the competitive edge of local economies.

Strategic Level Planning

We would define strategic level planning as being the pursuit of longer-term spatial strategies at the level of functional urban regions or above, with a focus on the broad magnitudes and locations of urban growth or restructuring and its relationship with economic development and key infrastructure, including transport. Planning in England has a somewhat chequered history as far as the strategic level is concerned (Scotland perhaps having shown a more consistent commitment). The early post-war period was characterised by a strong focus on regional and strategic goals for the relocation of population and industry, exemplified by the New Towns but incorporating explicit regional policy. In the 1950s this received less emphasis, with more of a shift to the local authority level in the implementation of planning. There was a revival of focus on regional economic planning in the 1960s, but mainly as a top-down addition to the locally based land use planning system, ushering in another period of active regional economic policy. Whilst the latter ran down in the 1970s and 1980s, strategic land use planning got a significant boost with the reorganisation of local government in the 1970s and the introduction of upper tier ‘structure plans’, which were explicitly strategic in character. Although weakened by the abolition of metropolitan level authorities in the mid-1980s, and by the historic rather than functional-region-based boundaries of county councils, structure plans nevertheless provided a strategic focus for the planning of housing, particularly the ‘numbers game’ (see below) and the identification of locations for

growth. However, this was a period of relatively low growth and the shift to regeneration and urban revival, and gradually the structure plans were phased out, to be replaced by Regional Planning Guidance (RPG) in the 1990s, which morphed into Regional Spatial Strategies (RSS) in the 2000s. The sharpest discontinuity came in 2010, when RSSs were abolished completely, leaving England without any regional planning machinery and without any form of national spatial strategy—the National Planning Framework (NPF) of 2013 is a policy document but not a spatial strategy as such (Baker and Wong 2012).

Local Plans

Local plans remain the main instrument for translating policies into land use planning decisions at the coalface, and the primary focus for local authorities and communities to address their future options for growth and development. The post-2010 emphasis on ‘localism’ appears to reinforce this, as in different ways did the reforms of the mid-2000s. Local plans should provide more certainty to landowners and developers, but they have continued to disappoint, probably because impossibly contradictory expectations are placed upon them. As ‘unitary’ development plans they have to combine the functions of the strategic plan, as outlined earlier, with that of a local zoning plan, detailed design guidance and action area plan. As a ‘statutory’ function, they tend to accumulate some of the functions of local authority corporate or ‘community’ plans. Local plans are required to reflect national planning policies, but also be the primary vehicle through which local communities can participate, comment on and influence local development. There is no question that local communities want a chance to participate and have a say, and that the move towards a more participative planning is an unstoppable societal trend, but at the same time this inevitably adds to the complexity, time and cost of preparing and approving plans. Thus, despite repeated strong commitments to achieve fuller coverage of up-to-date local plans, actual performance falls far short (Baker Associates 2008). With local planning services experiencing a 45 % cut in budgets between 2010 and 2014, this situation does not look set to improve. There have been attempts to remedy the problem through neighbourhood planning under the *Localism Act* but as yet outcomes remain unclear.

Numbers and Delivery

Notwithstanding the complex and diverse issues addressed in local plans, housing supply and its achievement through the planning system comes down in large part to a ‘numbers game’ played out between the key protagonists (developers and their agents, consultants, local planners, as well as interest/lobby groups) through the various stages of planning. A local plan, whatever else it contains, must contain a housing number—the target number of units to be built (for which land must be available) over the planning period, typically now 20 years although often only 10–15 years in the past. There must be a target number for each authority—it may be further broken down between different main development locations.

How are these numbers derived, and how are they tested for adequacy? Over several decades, the most popular and central approach to this task has involved the use of demographic household projections. The strengths and limitations of this approach are discussed further in Chap. 10. In structure planning practice in the 1980s and 1990s, it was possible to see this approach being blended to varying degrees with approaches based on economic development requirements and employment forecasts, and approaches based (at least notionally) on the concept of ‘environmental capacity’, the latter being perhaps in some cases a signal that local communities wanted to see less new housing built. Clearly, in some localities, such as national parks or green belts, there might be very little land that was not covered by a restrictive designation, and therefore the housing number would be supply constrained. Another feature of practice in that period was that, very often, social or public sector housing needs were considered separately to, and possibly additionally to, the need for ‘general’ (i.e. market) housing. Estimates of need for social housing might be based on traditional waiting list data, or (increasingly in the 1990s) local housing needs surveys. In the period since 2000, official guidance and local practice has shifted more towards doing an integrated analysis of the overall housing market and setting social/affordable housing requirements within the broader picture. Methodologies for these ‘Strategic Housing Market Assessments’ and similar systems are discussed further in Chap. 10.

Housing numbers may be partially or largely accommodated on sites which are identified on the plan’s Proposals Map. More critically, however, the local authority must also maintain a Strategic Land Availability

Assessment (SHLAA) which is a database of all relevant known sites for housing development, showing their capacity (units), key information about ownership, etc., and about potential constraints (e.g. infrastructure, viability) affecting availability, as well as their expected timing of start and completion. Authorities must be able to demonstrate at all times that they have at least a five year supply of developable sites, with indicative availability up to a 15 year horizon. Arguably, this document is the most critical link in the chain of implementation through plans to actual housebuilding. Increasingly, local authorities also link these databases to their work on planning the provision of infrastructure, including estimating costs as a basis for levying the Community Infrastructure Levy (CIL).

Infrastructure and Incentives

The planning, design, provision and financing of urban infrastructure have always been a key function and rationale for urban planning, as emphasised in Chap. 2. If you look at contemporary slums internationally, the informal settlements of third world cities, you find that the most immediate need of these areas is for roads, water supply, sewers and other utilities, and the space to put them (just as in the nineteenth century British slums). The infrastructural function of planning became rather taken-for-granted in twentieth century British planning practice and is not much discussed in most textbooks. This neglect was not critical in the era of traditional local government and public utility structures up to the 1970s, although there was still considerable grounds for criticism that major new housing developments often lacked a wider social infrastructure (recreation and community centres, nursery and play facilities, health clinics) or a good range of 'services of general interest' (SGIs, to use the Euro-term) including convenience retail and allied services (cafes, pubs, hairdressers, etc.).

Changes from the mid-1970s, as part of the general shift towards more neoliberal market-oriented economies, including local public spending cuts (especially in capital investment) and the privatisation of utilities and public transport, broke the link between local authorities as the planning agency and the provision of most infrastructure. It became necessary to

re-establish mechanisms, through formal consultation, by which local authority led land use plans could ensure that infrastructure would be provided, through the corporate investment strategies and procurement mechanisms of the utility providers, often overseen by a consumer-oriented regulator. In the process, the cost of infrastructure provision has tended to shift from the general taxpayer towards a combination of the developer making a contribution and the utility consumer paying higher bills.

The need to find new solutions to the problem of paying for infrastructure, as well as to meet the rising aspirations of new communities for better community facilities, encouraged local authorities to make use of their planning powers to strike agreements with developers under section 52 of the T and CP Act (s.106 of the 1990 Act). This was an increasingly common use of such agreements in the 1970s and 1980s, before their use for affordable housing became significant. Throughout the 1990s and 2000s, this became more and more common, indeed approaching a norm for larger developments, as documented in, for example, Crook et al. (2010) who showed that in the peak year of 2007 £5.2bn of contributions to infrastructure and affordable housing were claimed in England.

Government and advisory commissions (e.g. Barker 2004) questioned whether this ad hoc negotiated approach was the right way forward and sought a more rationalised system where developers would face a more predictable set of requirements, with an accountable connection between contributions and infrastructure delivered, and consideration for the viability of the development. After nearly a decade of debate, proposal and modification, this finally emerged in England as the CIL. Local authorities compile a schedule of infrastructure requirements associated with their local plans and determine a scale of payments as contributions towards these. This has created a newly formalised and overt role for planners as 'infrastructure planners'. Affordable housing remains outside the remit of CIL and may still be the subject of planning agreements, as discussed below, but the general use of planning agreements for infrastructural purposes has been significantly scaled back in England as a result of the CIL (which does not apply in Scotland).

First through planning agreements, and more recently through CIL, England has come to achieve similar goals to local authorities in many US states and elsewhere who impose 'impact fees' on development. However,

CIL is expected to be variable between localities and sensitive to the economic viability of development in different areas. Rather than a blunt flat-rate imposition, CIL is intended to operate as a kind of a progressive tax on land values (and explicitly not as a discouragement to development in economically marginal communities).

The use of financial incentives to encourage (critics would say 'bribe') reluctant communities and local authorities to plan for more housing, and to approve and support development applications through the planning system, is a more recent innovation, prompted mainly by the considerations of the Barker Review (2004). Barker examined the current local finance system in Britain and concluded that it did not give a strong and clear financial incentive to local authorities to support development; although local taxation is quite significant. Local authorities perceive that additional housing will increase their costs for services (schools, nurseries, social care, recreation, etc.) without commensurate extra money. In this respect, the situation in Britain is unlike that in quite a lot of other countries. Reviewing the situation just across the different countries considered in this volume, it is quickly apparent that the fiscal links between new housing development and local authorities' financial position are crucial in explaining some of the wide differences in behaviour between, say, mainland China or Spain, on the one hand, and Britain and the USA on the other.

The CIL, and more legitimised planning agreements, can create a financial incentive to support development. The post-2010 Coalition government also introduced an explicit incentive, known as the New Homes Bonus (NHB). This was calculated as a payment equivalent to seven years of the annual local tax (Council Tax) payment per dwelling in addition to the local authority's grant. This system has now been in operation for a number of years. It is not clear that it has radically transformed attitudes or behaviour, or indeed led to an upward step change in housing supply (DCLG 2014). Critiques have argued that the incentives are not large enough to meet the extra infrastructural costs of new housing, with s.106 planning agreements and CIL securing greater benefits for authorities and of more importance in practice. The grant was paid for by reductions in the general grant to local authorities, so what was given with one hand was taken away with another—and this was happening in the context of authorities taking an enormous cut in general service budgets (Hastings et al. 2015). To use the economic jargon, the incentive 'price effect' of

NHB might be swamped by a negative ‘income effect’ as local authorities got visibly poorer. In addition, there was an interesting contradiction revealed, whereby it was perceived as ‘illegitimate’ for planning authorities to be swayed on individual decisions by financial incentives, given their quasi-judicial and public interest role, and similarly inappropriate for authorities to channel the financial benefits to particular neighbourhood communities affected (Dunning et al. 2014).

Critiques of Planning and Housing System Performance

The Barker Review

Criticisms of British planning system performance in delivering new housing are not new. There was an element of such criticism in Hall et al.’s review in 1973, particularly as this coincided with a significant house price boom. There were further concerns from the late 1970s and 1980s, which focussed on issues of land availability, the proliferation of Green Belt and other less formal constraints, and the unwillingness of local authorities to pay attention to ‘market signals’ (Bramley et al. 1995; Cheshire et al. 2014). However, this was a period when, as previously noted, housing supply was not a national policy priority. The Barker (2004) review marked a more serious change, in perception and policy (Bramley 2007). Barker argued that there was a persistent undersupply in England, relative to underlying need and demand, and that this was leading to a long-term real rise in house prices of around 2.5 % a year. In effect, this meant that despite economic growth people’s ability to afford housing was not advancing at all. Barker also argued that the evidence showed that supply was ‘inelastic’ in England (i.e. unresponsive to changes in demand), which meant that increased demand translated into higher prices rather than higher output. This particular critique has been reflected in a wider subsequent literature on housing market volatility (Stephens 2011; Hilber and Vermeulen 2010; Glaeser et al. 2008). In addition to unaffordability and the inability of younger households to access home ownership, Barker also argued that there were wider economic and social disbenefits resulting from housing undersupply,

including labour immobility frustrating regional growth, wealth inequality, and homelessness and other forms of housing need.

Figure 5.1 shows the historical record of housebuilding in Britain since World War II, distinguishing the contribution of the three main provider sectors. Several conclusions can be drawn from this figure. Firstly, in the periods when Britain produced a high level of new housebuilding output, in excess of 300,000 per year, for most of the 1950s through to the mid-1970s, a large part of that output was driven by the local authority sector. Once that source of supply was withdrawn after the mid-1970s, the private sector barely increased its output to significantly replace that source of supply, so that as a result total output has rarely exceeded 200,000 since that time.

Secondly, although housing associations have grown in importance, their contribution is still relatively modest in the bigger picture. Thirdly,

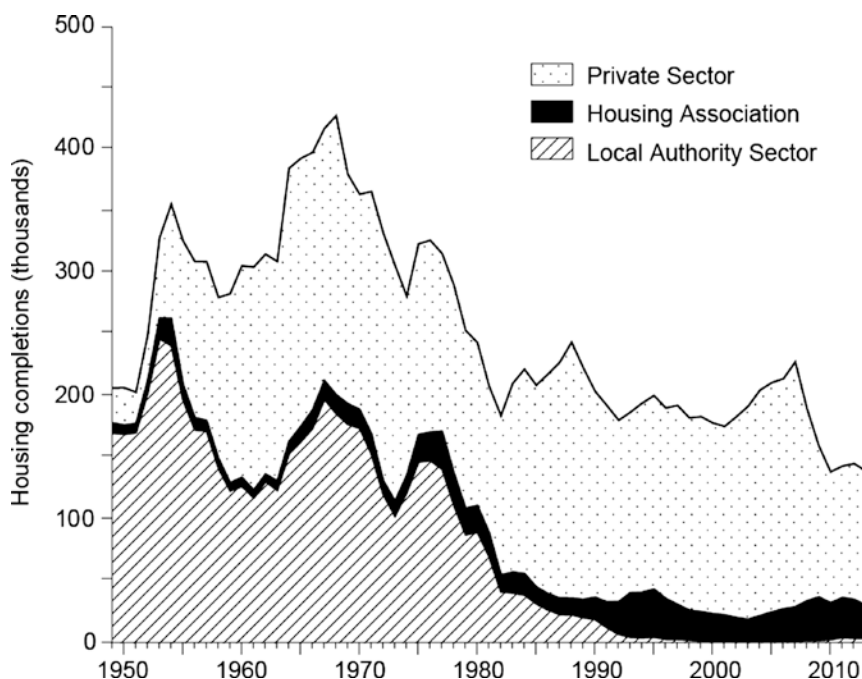


Fig. 5.1 Housing completions in Great Britain by sector, 1949–2013 (Source: DCLG Live Tables 241)

private sector output does respond to some extent to market conditions, with increases apparent at the end of sustained booms, as in 1988 and 2007. However, the relatively low and not increasing performance in the period 1996–2003 was the context for the Barker Review. One can discern from the chart two periods when housing associations were used to some extent as a counter-cyclical element, in the early 1990s and again after 2008. Although the chart does not show this, the increase in output in the 2004–07 period largely took the form of smaller apartment units. The chart does show that recovery from the post-2008 financial crisis and recession was slow, with private housebuilding numbers nearly halved. At the time of writing, this continues to be the case.

Evidence that the undersupply issue is serious, especially in England, is underlined by a recent comparative study finding that Britain had one of the lowest levels of housing completions per adult population in European comparisons (Whitehead et al. 2014, Tables 1 and 4), despite having at the same time virtually the highest population growth rate (ONS 2014; Bramley 2015). These and other key indicators were compared for selected countries in Chap. 3.

Why is Britain, and especially England, so bad at producing enough housing? Perhaps the most common and widely accepted explanation sees the planning system (and underlying public attitudes which affect local planning decisions) as the main culprit. That was effectively the position of the Barker Review, although she did consider a number of other issues in varying depth. Other commentators suggest that part of the blame rests with other factors, particularly:

- the structure of the housebuilding industry and its mode of operation
- the poor quality and unsustainability of the housing products of the industry, which are understandably unattractive to local communities
- the financial sector, which promotes excess credit and acts recklessly to cause periodic crises
- the political establishment, which wants to keep house prices high and rising to foster a ‘culture of contentment’ amongst older middle class voters, which in turn underpins a debt-financed consumption boom which makes the economy appear to perform better.

Specific Planning System Critiques

We would argue that there is some merit in these alternative perspectives and that the planning system should not get all of the blame. At the same time, there is evidence that the planning system, allied to public attitudes, has been a problem. Bramley (2007) presented evidence from monitoring stocks and flows of consents that there was a sustained fall in land availability in the period 1993–2003, coinciding with the period of pre-Barker stagnant output despite rising prices and a favourable economy. This was attributed to the excessive, almost obsessional focus on ‘urban renaissance’ and ‘brownfield land’, which led to the effective abandonment of conventional land availability monitoring for a period.

The techniques used to quantify requirements for new housing, reviewed more fully in Chap. 10, can actually become stuck in a negative, self-reinforcing cycle (Bramley and Watkins 1995, 2014, 2016). If we do not build much housing, not many households appear, so the trend-based projections give a low figure for future need. The procedures entailed in local plan preparation and adoption are complex and time-consuming, including processes of ‘sustainability appraisal’ and processes of consultation, with both the general public and also the agencies responsible for infrastructure provision, environment or heritage. This, together with the drastic cut in staff resources available to local authorities, contribute to the continuing situation where many local authorities do not have an up-to-date local plan adopted¹.

Ultimately more important than procedures is the local political will, or lack of it. Local councillors will be sensitive to local sentiment when voting on local plan allocations and specific development proposals for housing. They may indulge in ‘non-decision-making’ when confronted with a conflict between professional and policy advice on the one hand, and negative local resident sentiment on the other. There is evidence, reviewed in Bramley (2012) and Bramley, Matthews and Hastings (2014) from the British Social Attitudes Survey that a majority of people in Britain (by a margin of 3:2 amongst those with a view, and 3:1 of those with a strong view) did not favour additional new housebuilding in their

¹ At July 2014 57% of authorities in England had an adopted local plan with 73 % having published and submitted one – Lyons 2014, Table 1.

area. Opposition was stronger amongst homeowners (2:1), in the south of England, and in suburbs and accessible small towns. These patterns reinforce the negative impact because these groups are more likely to vote and participate in local politics and these areas are more important target areas for increasing housing supply.

This data suggested that the move to 'localism' in planning after 2010, would reduce planned housing output in the southern regions whilst output would increase slightly in the north (Bramley and Watkins 2016). This pattern was in fact found to be the case in changes in local plan housing numbers between 2010 and 2012 (Tetlow King 2012).

There are two counters to this negative story. One is that a partial repeat of the survey questions in later years of the BSAS suggested a general softening of attitudes, in the direction of a more positive stance towards housing (DCLG 2014; Dunning et al. 2014). It is not clear how real or enduring this is, but it may reflect some rising media and cultural awareness of the chronic housing crisis facing Britain, for example, in stories about 'Generation Rent' and vanishing aspirations of home ownership, as well as some response to financial crisis and recession. Nevertheless, even if the general level of support for housing rises, the balance between opposition and support is still very skewed, so that for example in areas that would be key targets for growth in the south of England there would still be likely to be majorities opposed. The other counter is the evidence within the survey that people would be more willing to support new housing if they believed it would bring with it improvements to local employment opportunities, greenspace and parks, transport links, schools, leisure facilities and shops. This underlines the importance of wider 'sustainable communities' arguments about the quality and servicing of new developments, and of having proper mechanisms in place to deliver these as discussed earlier.

Finally, one issue which links substantive policy and public sentiment in an arguably unhelpful way is the role of 'green belts', the highly symbolic expression of Britain's long commitment to 'urban containment'. Many argue that there is a serious need to review and redesign green belt for the twenty-first century if adequate housing supply is to be delivered to support economic and population growth in a sustainable way (Barker 2004, 2006; Bramley et al. 2004; Prior and Raemaekers 2007; Andre

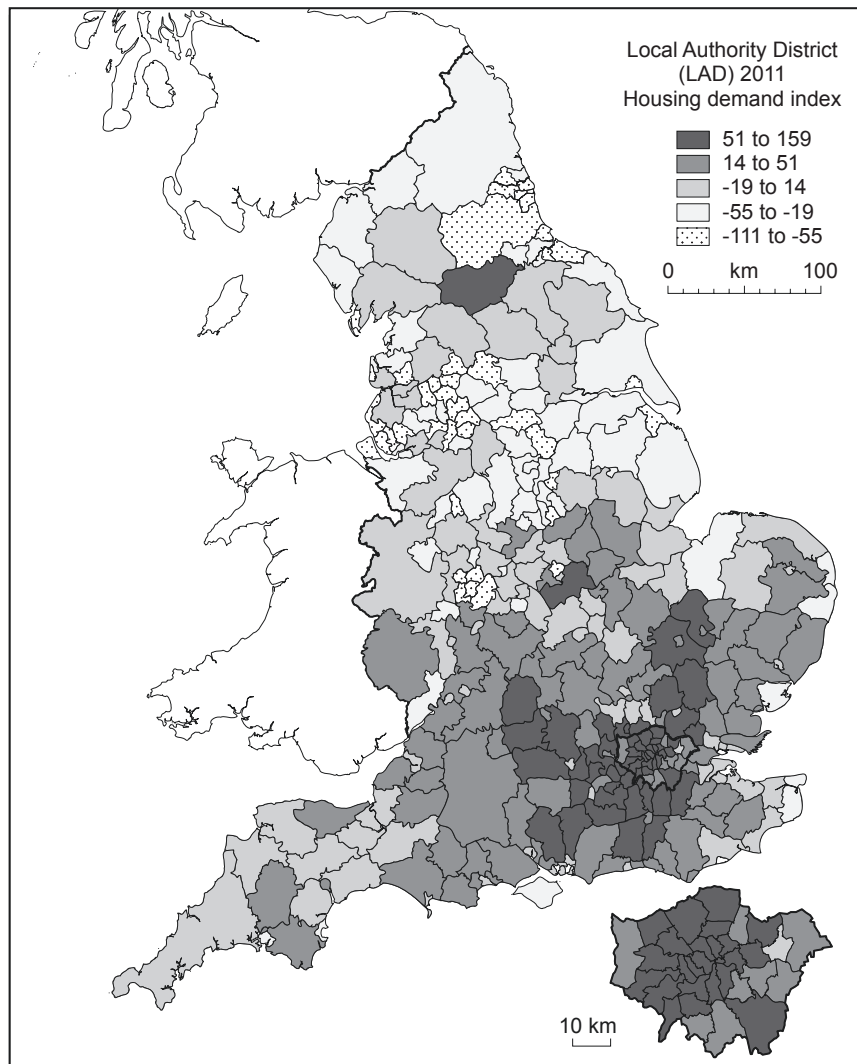
2011; Lyons 2014, p. 21; Cheshire et al. 2014). The undoubted political popularity of defending the 'green belt' probably stems from a serious misconception about (a) the existing extent of 'urban sprawl' and (b) the actual purpose and character of the green belt.

Geographical Mismatch

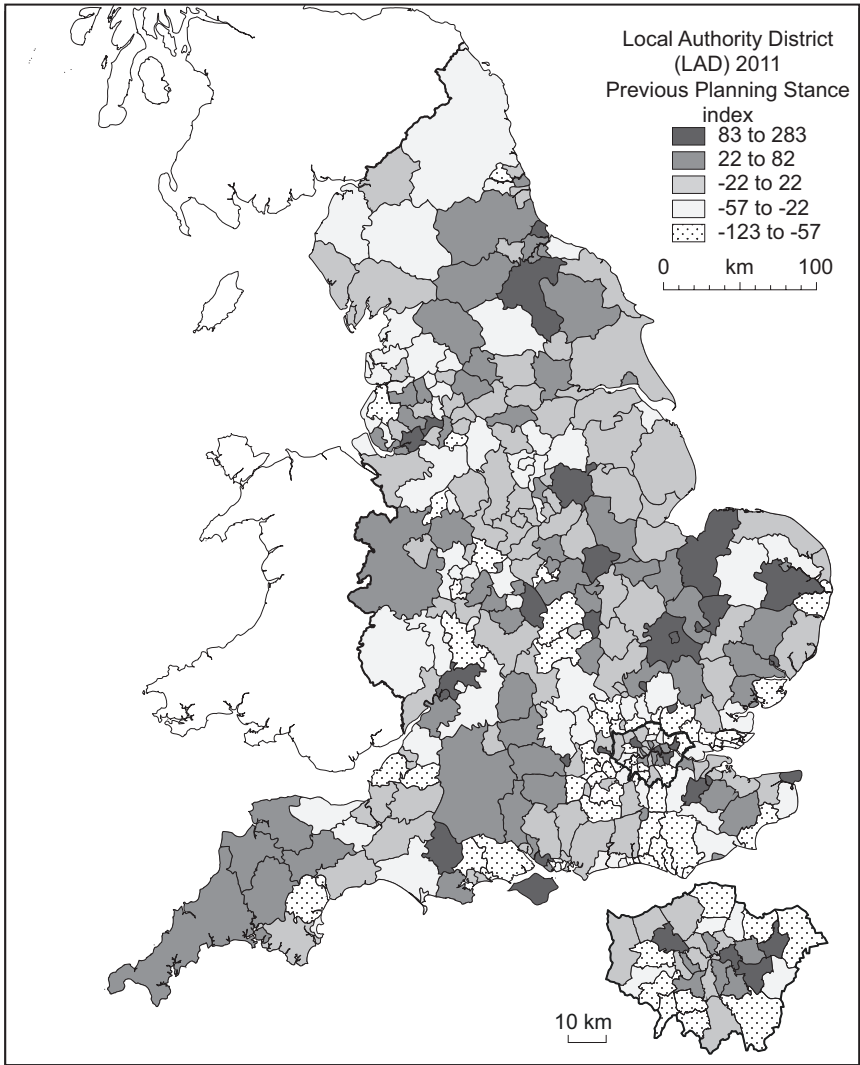
The combination of planning policies and procedures and local public sentiment has given rise to a serious geographical mismatch in England between the potential demand for additional housing and the actual planning policy stances of the local authorities. Map 5.1 shows the pattern in terms of potential *demand*, measured by a composite indicator. Underlying measures include actual and potential household growth, house prices, affordability, earnings, income, concealed households, job growth, employment rates and (negative effects from) unemployment, poverty, vacancies and distance from London. The picture here shows the highest demand concentrated in London and the Home Counties, spreading out to most of the Greater South East and into adjacent parts of the nearer South West and South Midlands.

Map 5.2 shows the planning stances of these local authorities in the period around 2007–09, based on underlying indicators of outstanding planning permissions, social housing completions, land available, five-year supply ratio, the approval rate of planning applications, with negative effects from small sites and recent changes in targets. The pattern here is more complex, with a scatter of darker green localities with more positive stances including some in London, quite a number in the East of England, the South Midlands and in the rural West and North. Some established growth areas (Cambridge, Ashford) are included in this group.

Further mapping of land potentially available, taking account of both brownfield and greenfield land but reflecting existing policy constraints including the green belt, shows a further mismatch. There is much more availability in northern and eastern areas but very little availability close to London or other southern cities such as Bristol (Bramley and Watkins 2014).



Map 5.1 Composite housing demand index by local authority district, England c.2010–12 (Source: Bramley and Watkins 2014b)



Map 5.2 Planning stance towards new housing by local authority district, c.2007–09 (Source: Bramley and Watkins 2014b)

Critique of the Industry

To some extent in parallel with this weighty critique of planning, and particularly in response to the post-2008 economic crisis, a critique of the housebuilding industry itself has also developed. In particular, it has been pointed out that housebuilders have large stocks of land with planning permission that they are not in a rush to build out (Adams et al. 2009) and that more generally the inelasticity of supply is much to do with the cautious behaviour of housebuilders (Molior 2014; Bramley 2015). Some point to the decreasingly competitive nature of the industry, whilst others focus on the relationship between housebuilders, banks and city financial analysts and investors (Griffith 2011; Lyons 2014; Leishman 2015). A distinct and long-standing line of criticism relates to the quality of the housing product, and/or the quality of the overall design of new urban neighbourhoods (an issue with which planners are also implicated) (Ball 2003; Barker 2004; Calcutt 2007; Gallent and Tewdwr-Jones 2007).

There is clear evidence for some aspects of this critique, whilst other aspects may be overstated. Econometric modelling work by one of the authors has consistently shown that, if you increase the supply of planning consents in an area by, say, 100 units, you do not get a corresponding increase of 100 units of housing completions, after an appropriate time-lag; what you get is around 40 extra completions (Bramley et al. 1995; Bramley and Leishman 2005; Bramley and Watkins 2016); this has been termed the ‘pushing on string’ problem (Bramley 2015). Landowners and developers respectively control the initiation of development on sites and the rate at which units are completed and released to the market. They have their own particular business strategies and priorities. Landowners, in particular, are often under no short-term pressure to realise the value of their land, and they may wish to retain the option of selling it later for an even higher price. Housebuilders are under pressure to remain in the business of building houses, but they are very concerned about the risks of over-extending themselves in the face of volatile demand, given time lags in production. In addition, within large housebuilding companies, and between these companies and city analysts and investors, there is a performance monitoring process going on; this tends to reward moderate plans which are slightly over-achieved more than over-ambitious plans which are under-achieved.

There is also an ongoing debate about how perfectly competitive the industry is. A review by the Office of Fair Trading (OFT 2008) did not find strong evidence of monopolistic conditions or behaviour, an argument accepted by Andre (2011) in an OECD review. However, critiques point to the relentless concentration in the industry, and in particular the loss of medium sized regionally based firms (Griffith 2011; Lyons 2014²). Much effort is expended by housebuilders employing consultants to influence the planning system so that local plans end up allocating sites which builders control through option agreements with landowners whilst striking out sites controlled by their competitors. Adams and Leishman (2008) argue that there are also informal processes of collusion at work. Leishman (2015) tests some propositions about the extent to which local housing markets and supply behaviour deviate from the predictions of a perfectly competitive model, and finds some evidence to support the picture of monopolistic rather than pure competition.

A wide range of responses to these alleged malfunctions are rehearsed in recent reports, notably Lyons (2014). These responses may resonate in other jurisdictions where the pipeline of development land has become problematic and include the establishment of proactive, locally based, publicly-led land assembly and development partnerships; reformed arrangements to ensure that infrastructure costs are fully recaptured from development gain; and, a reformed, consistent approach to disposal of public sector land.

Macroeconomic/Financial Critique

Another line of critical argument considers the political economy of housing, and how it fits with the broader development of the macro-economy and the financial sector. There is an institutional strand to this, captured by the term 'financialisation', which refers to the growing importance of financial intermediary institutions and activities, the proliferation of financial 'products' and the concomitant increase in debt across society. There is also an international dimension, in terms of the large structural imbalances which have developed between countries like the USA and

² The largest 42 firms built 51% of new homes in the 1990s but 73% in 2013, whilst SMEs share dropped from 57% to 27% in same period – Lyons 2014, p. 102.

the UK, on the one hand, and China and other emerging economies on the other, with the former consuming more than they produce and experiencing a capital inflow as the latter group invests their surplus earnings in acquiring assets worldwide. There is a strand which relates to persistent weakness in the fundamental performance of the economy, reflected in low or negligible productivity growth, a deficiency of competitive tradeable sectors of industry and services, and a consequent chronic balance of payments deficit, which is a corollary of the (much more debated) public sector deficit. Politicians may mouth platitudes about addressing these issues, but what they actually do (because it is easier) is encourage a debt-financed consumption boom in which rising house prices play a key role. In this view, politicians' commitments to improving housing affordability through increasing supply are disingenuous.

Under this scenario, the story of the run up to the GFC was of a Western financial system awash with money under low interest rates and increasingly reckless lending on real estate, driving a price boom which, whilst not necessarily a speculative bubble (in the UK at any rate) was clearly driven in part by 'loose money'. A range of economic commentators would give some credence to this story, albeit also emphasising, in a number of cases, the complementary role of inelastic supply in the UK (Andre 2011; Meen 2011).

Affordable Housing Through Planning

The Institutional Framework

In the latter part of this chapter, we turn the focus onto the specific role of planning in facilitating the provision of 'affordable' housing in an 'inclusionary' fashion, where we can report on quite a distinctive and relatively successful development of policy over 25 years, albeit now at something of a crossroads. We start by reviewing some key features of the background, in terms of institutional legacy from previous periods, before discussing the immediate origins and evolution of the policy mechanism that is now generally known as 'Section 106', and how it works.

Two features of the UK housing scene around 1990 are worth highlighting. Firstly, local authorities were the main players in implementing public housebuilding and housing policy generally for the whole post-war period, but under the Thatcher government from 1979 their role was increasingly circumscribed, legally and financially; they could no longer build much if any housing themselves and they were obliged to sell off a lot of their (better) stock. They were still responsible for meeting housing needs (including homelessness) and planning for their areas, but were explicitly expected to do this by adopting an 'enabling' role (i.e. working through others) to procure social housing (Bramley 1993). Secondly, particularly since legislation in 1974, a substantial sector of non-profit housing associations had been built up, initially concentrating on specialised 'niche' roles, special needs and urban regeneration, but latterly going more into 'general needs' new building. These provided a politically acceptable vehicle for social housing provision which was also financially at arms' length from the public sector (Malpass 2010). In many localities, after 1990, existing public stock was transferred to newly created housing associations, so speeding the growth of this sector (Mullins and Pawson 2009).

Origins and Development of Policy

The contemporary policy enabling the use of planning powers to secure the provision of affordable housing in England can be dated fairly precisely to 1991, although this was prefigured by some specific concessions relating to rural housing announced in 1989. Before that the British Government had generally taken the view that the planning system was about land use and should not be used to engage in 'social engineering'. Its role was to allocate land for housing as a general category of land use, not to prescribe the tenure, price or occupancy of that housing. This view was challenged by bottom-up initiatives from some local authorities, particularly in pressured rural areas, during the 1980s. Indeed it may be argued that this is an interesting example of 'bottom-up' policy formulation, responding to pressure and innovation from local authorities in the situation described earlier.

Circular 7/91 in England allowed local authorities to set targets for affordable housing within local plans and to enter planning agreements on individual developments which required a proportion of the housing to be 'affordable' (within what would otherwise be private market developments). Underpinning this was the recognition that 'a community's need for affordable housing was a material consideration in planning decisions'. The legislative basis for this lay in Section 106 of the 1990 *Town and Country Planning Act*, which renewed the former 'Section 52' power to enter legally binding planning agreements, and Section 12(1) of the *Planning and Compensation Act 1991* which also allowed unilateral undertakings by developers. Subsequent Planning Policy Guidance (DOE 1992) linked this power to the role of local plans in addressing the need for housing, including affordable housing, at settlement level, so underlining the treatment of this as a 'material consideration' (Monk 2010). Subsequent circulars had mixed effects in terms of first reining back the applicability through raising thresholds of applicability in terms of the size of sites, then subsequently (from C.6/98) strongly endorsing the policy, for example, by underlining that a local authority could refuse planning permission on the grounds of no or insufficient affordable housing provision.

The early development and application of this policy strand are reviewed in Barlow and Chambers (1992) and Barlow et al. (1994). The first phase, for most of the 1990s, was characterised by uncertainty about the legitimacy and legality of the mechanism, gradual cautious adoption by some local authorities and a disappointing scale of outputs achieved. The second phase of the policy, from 1998 to 2007, was marked by general policy acceptance, near-universal take up by local authorities, in terms of policies and targets, and a rapid quantitative expansion in output, to the point where a majority of affordable housing provision in England was being achieved through or with the assistance of s.106 planning agreements. The third phase, from 2008 to the time of writing, is characterised by the adverse effects of a prolonged financial crisis and recession, especially affecting housing development, changes of government and successful lobbying by elements of the industry to secure watering down of and exemptions to the policy. Nevertheless, the policy and practice remain embedded at the local level.

Arguments of Principle and Pragmatism

This policy approach has been controversial. Critics have argued that this is an inappropriate use of planning, for the following kinds of reasons. Firstly, there is a lack of ‘rational nexus’ (connection) between affordable housing and the development of specific sites (Crook 1996). This is different from other uses of planning agreements, which generally relate to requirements which are necessary to make a particular development acceptable in itself (e.g. environmental improvements, transport connections) (Healey, Purdue and Ennis 1993). Secondly, the mechanism has been characterised as a ‘stealth tax’ on development, and any such taxes on development should be overt. Thirdly, and related, it was argued that it was not the job of the housebuilding industry to subsidise social housing, any more than it was the job of farmers to subsidise the food bills of the poor.

The counter view (which, for example, was accepted by Barker 2004) was that, since it was the planning constraint on new housing supply that was substantially responsible for the affordability problem, the planning system should compensate for this. In response to the ‘rational nexus’ objection, it was seen that the nexus was at the level of the plan area (or settlement) level, rather than the individual site. With regard to the stealth taxation argument, it may be countered that respectable economic theory argues that betterment taxation (i.e. taxing development gains in land value) is economically efficient (it should not affect supply) and equitable (the people who pay, landowners, tend to be well off). Thirdly, on a more pragmatic note, it seems likely that there will never be enough public subsidy for all the social housing that is needed.

In practice, it may be observed that the policy has had three main *drivers*:

- the need for *land* to put social/affordable housing on; as traditional sources of land for RSLs, for example from local authority land banks, were drying up
- getting a *subsidy* from land value; typical developments generated huge unearned increments in land value; and
- promoting *mixed communities*; traditional patterns of development tended to reinforce the segregation of social housing from the private market housing, and this was increasingly seen as undesirable in its social effects.

It is true that using planning agreements in this way may be likened loosely to a form of tax on development. However, the planning agreement system as it has evolved has a number of differences from a typical tax as imposed by the Treasury. It is:

- locally determined rather than fixed by statutory means
- discretionary rather than intended for universal application
- variable rather than uniform or standard
- in kind rather than financial
- hypothecated rather than unhypothecated
- reused locally rather than redistributed nationally.

Although such an approach does not conform to abstract national norms in taxation, these differences suggest that it may have virtues in this particular context. In particular, it *motivates* local authorities (who may be reluctant to support development, because of NIMBYism or concerns about the costs and impacts) to become more engaged with and supportive of developments (see also Monk 2010). The local authority has control and discretion, can adapt to particular circumstances and can negotiate for particular contributions which both make the development more acceptable and meet locally perceived needs.

Key Elements in Implementation

The first essential requirement is for a degree of *legitimation* of the approach in national planning policy. As noted earlier, the key step in England was to recognise that the community's need for affordable housing was a 'material consideration'. Once recognised in this way, within the framework of national planning policy, then local attempts at implementation are less likely to be derailed by legal challenges. We argued in an earlier section that British planning is distinct for its high level of discretion set within a policy framework—it is these features which make it possible to apply strong affordable housing obligations in this way.

The second essential requirement is to have an operational *definition of affordable housing*. The general concept has been that it should be housing (of adequate standard) available at a price/cost significantly below market level, and hence affordable by people excluded from the mainstream market.

It includes but is broader than traditional social rented housing. For example, in PAN2/2010 (Scotland), the following categories are specified: social rented (council or housing association/registered social landlord (RSL)); shared ownership; shared equity, discounted low-cost sale; non-subsidised lower-cost housing (e.g. 'starter homes'); 'intermediate' or 'mid-market rent'. There are some sensitive issues of where the real need is in a local area (e.g. more people may need social renting, but there is the existing supply of relets available for them), and of what happens to the housing in the future when the first occupiers move on. A strict approach would require the housing to be available 'in perpetuity' on an affordable basis, or at least that the subsidy embodied should be recycled to others in need, as in shared ownership/equity. Also, the Scottish approach may be seen as more lax than that applied in England, in the 2000s, by permitting discounted low-cost sale (without restriction on resale) or cheap starter homes, although since 2010 there has been effective relaxation on this issue in England.

The third essential element is to have robust *evidence of need*. This element led to the proliferation of local housing need studies and surveys after 1990. Problems with these, particularly the lack of standardised approaches, led to many arguments in local plan inquiries. Quite prescriptive guidance on 'Strategic Housing Market Assessments' (SHMAs, discussed further in Chap. 10) is intended to curb such disputes, as well as control spending on consultants and surveys. In Scotland, the guidance on Scottish Housing Need and Demand Assessments (SHNDAs) and the role of a special unit in the Scottish Government Centre for Housing Market Analysis (CHMA) have been to enforce standards and to provide a seal of approval on local needs assessments, again so as to avoid these arguments in planning inquiries.

The fourth element is to set *target levels* for different areas, for example, a norm of 25 % of new units to be affordable. In England, these targets are locally determined and quite variable. In Scotland, the guidance tended to encourage the setting of a common norm of 25 %, although authorities may deviate from this on the basis of evidence. Authorities with high needs might want to argue for a higher figure, but this has to be weighed against considerations of reasonableness and viability (see below).

The fifth element, which is really central, is the use of *planning agreements* (Section 106 in England, Section 75 in Scotland) as the key implementation mechanism. The planning agreement is negotiated,

and site-specific, so it may be varied to reflect particular circumstances, although it is desirable that standard model forms of agreement be developed. Planning agreements have legal force and ‘run with the land’, so applying to subsequent owners if the site is traded. In Scotland, Planning Advice Note 2/2010: Affordable Housing and Housing Land Audits (PAN2/2010) also suggested the use of planning conditions, but these are generally a weaker mechanism.

An element which played a considerable role in the 1990s was the setting of a *site size threshold*, below which the policy would not apply. It is clear that it is very difficult to require on-site provision of affordable housing on very small sites, but the level of this threshold has varied quite a lot over time and space. For example, in the mid-1990s use of a high threshold (40 units) tended to undermine the policy; in England, the norm subsequently became 25 units, but even this encouraged some evasion by breaking sites down into smaller packages. It was argued that in rural areas a much lower threshold should apply. It can also be argued that there should be no threshold for the policy, in general (all developments should contribute), but that below a threshold the developer might be allowed to fulfil the obligation through a financial contribution.

This leads to the possibility of having *payments in lieu* (sometimes called ‘commuted sums’) rather than on-site provision in the form of mixed developments. Whilst the payments in lieu approach give flexibility and deals with the rural/small sites issue, it potentially opens the door to many developers opting for this approach, thereby undermining the general desired aim of mixed communities. This was a very controversial element in the Irish policy developed in the early 2000s. There is also evidence of this approach being used increasingly, along with off-site provision, in recent Edinburgh examples, partly because of reactions to the recession. A feature of financial contributions is that they are supposed to be accumulated in a separate, identifiable fund, and spent within 3 years; failure to reuse would result in the contributions being given back to the developer.

A requirement which has become increasingly recognised as integral to the approach is that there should be some check that the planning obligations, including both affordable housing and other infrastructure or community facility contributions, should still enable the development to be *economically/financially viable* and realistic. This requirement has received increasing attention in the post-recession period, and also as the

amount of grant available to support the affordable housing has shrunk. Various toolkits for assessing viability have been developed—this is not traditionally an area which planners or housing officials have technical skills in. As explained further, viability basically comes down to a ‘residual value’ calculation, but there is no firm official guidance on what the minimum level of viability is.

Box 5.1 Viability and residual value

Viability has become a significant issue in relation to planning obligations generally, including affordable housing.

A *residual value* calculation is generally the key to the viability of any development. In simple terms:

Res Value = (Selling price—constr cost) × no of units—devel costs (incl plg obligs)

Residual value is the gross development profit that can be made from a development, the difference between what you can sell the units for and what it costs to build them and to develop the site. Developers are always making calculations of this kind, whenever they look at the feasibility of a scheme, although their calculations may be more complicated by taking account of the timing of cash flows and the costs of borrowing over the development period. The cost may be taken to include a minimum allowance for ‘normal profit’ of the developer and contractor.

In the land market, developers will bid for land based on expected residual value, and their competitors will do the same.

A consequence of this process is that the price of land is determined by the price of housing, NOT vice versa (although in the longer run the price of houses is somewhat affected by the amount of supply). Therefore, the cost of planning obligations (including affordable housing) should be borne by the landowner, not the developer or the house buyer (as long as the residual value is positive).

A complicating factor is that many housing developments take place on brownfield land, with some previous or existing urban land use rights, for example for industry or warehousing. These rights would give a floor value to the land above the minimal level of agricultural use. Therefore, the amount of residual value which could be used for affordable housing contributions may be less than the theoretical maximum.

Finally, although not formally required, the planning agreement approach does tend to raise questions about how housing associations become involved in the developments, suggesting *changes in procurement* practice, particularly where integrated mixed developments with on-site

provision are involved. This may point more towards partnering between housing associations and private developers, although this has been less common in Scotland than in England.

Achievements of Policy

As noted earlier, the policy was most effective in England in the period from around 1999 to 2008, and we have better data on outputs for this period. There is no doubt that in quantitative terms the scale on which planning mechanisms came to be used to deliver affordable housing in England in the 2000s was pretty impressive. Figure 5.2 sets the context, by tracking the scale of new build affordable housing over more than two decades, and showing three main sub-components: traditional social renting, intermediate or ‘affordable’ rent, and affordable home ownership (mainly forms of shared ownership).

It can be seen that affordable output peaked in around 1994–5 and again around 2010–11—in both the cases, this was mainly due to investment in the programme being accelerated as a counter-cyclical measure. Social renting can be seen to be declining as a share of the total, particularly near the end of the period when it was being displaced by the ‘affordable rent’ programme. ‘Low cost home ownership’ played an increasing role in the 2000s, but was somewhat set back by the effects of the recession on demand and mortgage availability (at the time of writing the Government wishes to re-emphasise LCHO vs social renting).

Figure 5.3 shows the growth of affordable housing units delivered through planning agreements alongside the total, for the period since 1999. This shows strong growth in the volume of such output, rising above 30,000 units from 2007, and clearly accounting for a majority of affordable housing delivery for most of the period. It can also be argued that this use of the planning system enabled and substantially accounted for much of the rise of affordable housing output, at least in the period up to 2007, before the onset of the economic crisis.

Figure 5.3 also shows another significant indicator, the number of units delivered through planning with no input of public subsidy. This is clearly possible, in theory and practice, but it is interesting to note that it was still not nearly as common as schemes using both public subsidy

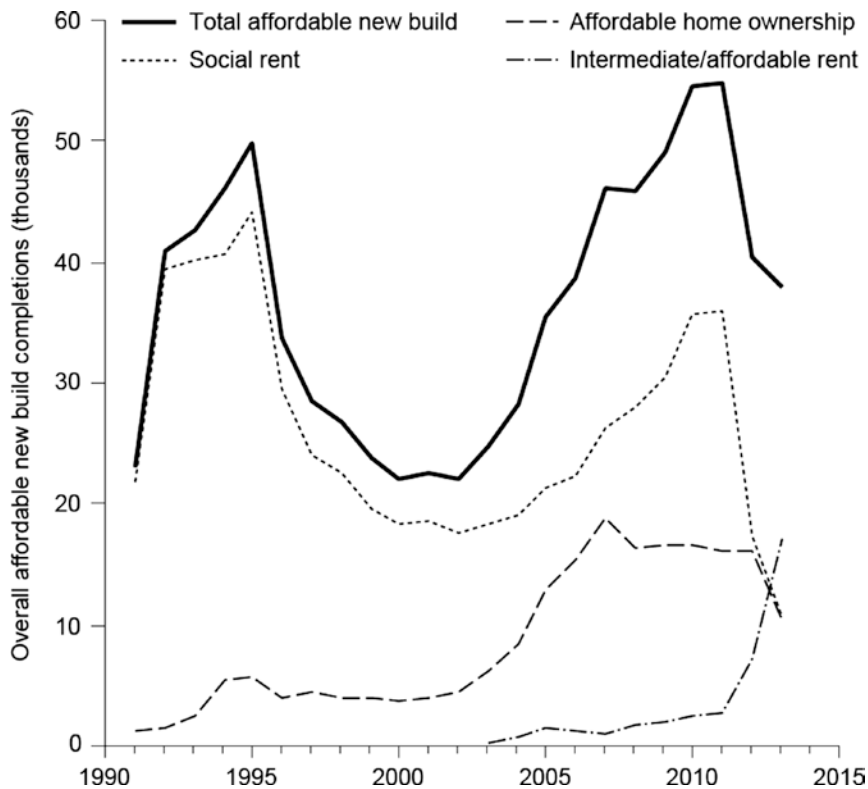


Fig. 5.2 Overall affordable new build completions and its main components, England 1991–2013 (Source: Authors' estimates based on DCLG (2009) Live Table 1000, DCLG (various years) Local Authority Housing Statistics Part N, and Monk (2010) Fig. 5.1)

and developer contributions. This number also took a hit during the recession, but is now growing again and, given the scarcity of public subsidy, one would anticipate a further growth.

Figure 5.4 shows the proportions of affordable housing accounted for by planning agreements, overall and distinguishes social rented from intermediate housing. The first obvious point is that this confirms that a majority of affordable housing new build has been delivered through planning agreements in all years since 2001, with typical shares being between 55 % and 70 %. It also shows that, as we would

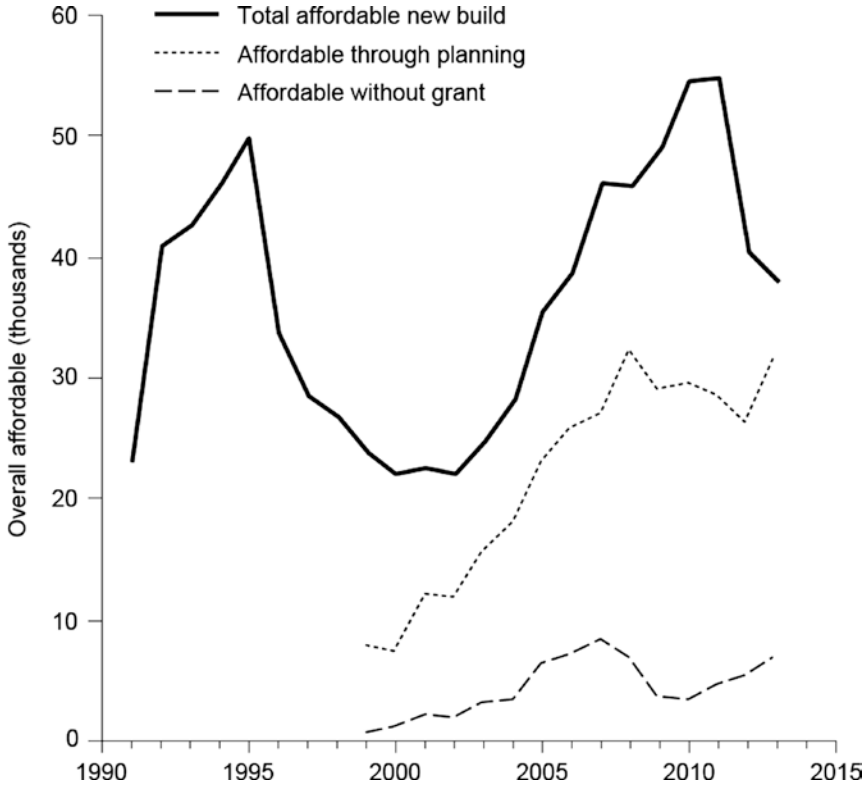


Fig. 5.3 Overall affordable new build completions and the amount delivered through s.106 planning agreements, overall and with nil grant, England 1991/1999–2013 (Source: as Fig. 5.2 [Note there is some ambiguity about the figures for total affordable completions through s.106, as for the last 3 years we have based this on lagged permissions])

expect, a larger proportion of intermediate housing was delivered through planning than from social rented housing, up to about 2009. Intermediate housing requires shallower subsidy and may be less likely to raise resistance/hostility from developers or other residents. Despite these alleged negatives, a clear majority of social rented housing was delivered through planning agreements for almost the whole of this period. The share of intermediate housing delivered through planning has dropped, firstly because of the recession (which hit shared owner-



Fig. 5.4 Proportions of affordable, social and intermediate new build delivered through s.106 planning agreements, England 1999–2013 (Source: as Fig. 5.2)

ship hard), and secondly because of the switch of government subsidy to support affordable rather than social rent. In the last few years, local authorities and housing associations wishing to still build social rented housing have probably had to lean harder on the planning agreements, as well as reserves, to find the subsidy required.

The general trend in the share of intermediate in the overall programme is upwards, although this faced a pause in the recession period; it is now being driven up sharply by the Government's policy support for low-cost home ownership.

Erosion of the Policy

Whilst the overall picture presented is one of apparent success, growth and generalised acceptance of the policy, the timelines just presented also show that growth of affordable housing provision through planning slowed markedly during and following the recession. That is partly an understandable response to brute economics, with levels of housebuilding activity dropping dramatically during the crisis and having not yet fully recovered. Initially, and perhaps ironically, some developers who faced difficulty selling housing units entered a negotiation with authorities to take more of them as 'affordable', in order to complete schemes and remain in business. However, beyond this initial phase the emphasis has shifted to a focus, by the industry and government, on trying to shift 'stuck sites' and on trying to increase housing output by ensuring that regulatory burdens are not excessive. Previously agreed affordable housing requirements can be renegotiated through 'viability testing' (formally introduced via legislation in 2013) (Burgess et al. 2013).

Underlying this policy erosion is a good deal of doubt about the future shape, role and strength of the social housing sector, particularly following changes introduced by the incoming Conservative government in summer 2015—'Right to Buy' for housing associations; forced sale of local authority housing in high-value areas; 'pay to stay' (higher rents for higher-earning tenants); and reduced rents for social landlords. The new Government prioritised home ownership over social renting, and set ambitious targets for the new building. To this end, it announced that 'Starter Homes' (defined as homes sold at a 20 % discount on market value, with a very high-income eligibility threshold) would count as part of the 'affordable housing' planning obligation, and that local authorities could no longer insist on a certain proportion of social rented housing. One interpretation of this announcement is that it could spell the death knell of s.106 as an effective mechanism for delivering affordable and inclusionary housing.

However, it is early yet to judge the outcome of this flurry of policy change. Other aspects of the established system continue, like the role of needs assessments in strategic housing market areas (discussed further in



Illustration 5.2 Affordable rental and home ownership products, London. *The delivery of affordable housing in Britain has been supported through the planning system. Increasingly, a diverse range of affordable rental and home ownership products have been delivered through this process.* (Image credit: Nicole Gurran 2015)

Chap. 10), ‘localism’, and the sustained priority on addressing homelessness. It still appears that local authorities will continue to exercise their planning and other powers to deliver a mix of housing in response to perceived local needs. Thus, perhaps, the ‘localism’ out of which the policy grew may help to defend it from being totally undermined.

Overall Assessment

There have been a number of official and other impact and evaluation studies of the planning and affordable housing policy in the UK, with the primary focus on England where the policy has been applied most

strongly (Crook et al. 2002, 2010; Monk et al. 2005). In part, these reiterate the strongly positive emerging picture in terms of numbers just presented. There is also a financial dimension to this. At its peak, in 2007, planning agreements were delivering c.£5bn of contributions to public infrastructure and services, with affordable housing accounting for rather more than half of this (Crook et al. 2010). This volume of subsidy exceeded the official public spending subsidy allocation for the entire affordable housing programme. However, the recession has thrown a big question mark over the sustainability of such contributions.

There are also positive findings on the ‘inclusionary’ aspect of s.106, in terms of promoting many more ‘mixed’ developments, including the introduction of affordable housing into higher-priced/higher-income neighbourhoods (Monk et al. 2005). The evidence on how successfully ‘mixed communities’ function in practice is, perhaps inevitably, mixed, although some studies show an encouragingly positive picture (e.g. Bretherton and Pleace 2011; Ferrari 2012). At the same time, wider academic literature continues to question whether mixed communities are necessarily positive in their impact on social outcomes, showing at best a mixed, nuanced set of findings (van Ham et al. 2012). Whilst there is a generally shared wish to avoid large concentrations of social housing containing an overwhelmingly poor and deprived population, more generally policies for neighbourhood social mix are not a panacea and should not be seen as a substitute for direct measures to address poverty and disadvantage (Cheshire 2007).

A critique of s.106 would necessarily focus on a number of features of its implementation, and its generally risky and contingent character (Monk 2010). It depends a lot on the competence of local authorities in setting appropriate policies and model agreements and negotiating consistently, intelligently and speedily on specific proposals which may have distinctive features. If these conditions are not fulfilled, developers may experience delay and frustration, or authorities may not get the contributions they hope for and which might have been feasible. Arguably, for quite a long period social housing grant was being made available and paid out on too generous a basis, not allowing for the potential of s.106, leading to wasted public money and inflated land values. In the current recessionary period, previous assumptions have to be revised,



Illustration 5.3 New apartments for sale and rent, London. *Following the GFC, a growing private rental and buy to let market has emerged in the UK. (Image credit: Nicole Gurran 2015)*

but it is unclear how far into the future this applies and whether current viability assessments are realistic. In Scotland, where the policy was never adopted so strongly by its national government, where housing need and affordability pressures are generally less, and where the social housing sector is more used to a traditional subsidy regime, the policy has been less strongly adopted (with some local exceptions) and also subject to criticisms of the above kind (Newhaven Consulting 2008). Northern Ireland has never had the policy but is now actively considering its introduction.

We would strongly concur with the conclusions of Monk (2010) and Crook et al. (2010 and personal communication) that the policy has been a relative success story because of its bottom-up origins, going with

the grain of local government, a response to the betterment and housing issues which has the characteristics of being hypothecated, locally determined, variable, locally retained and 'in-kind'. The policy clearly makes sense in the British type of planning system, where permission for development is reserved as a discretionary decision of local authorities within a plan- and policy-led framework, and so cannot be simply imported to the many countries which have more formal zoning-type systems. Yet, curiously, Monk (2010) observes that perhaps the English system is coming to resemble those other countries, to a degree, insofar as s.106 has to some extent become associated with practices of densification, as a way of making affordable housing obligations acceptable and deliverable (but also of meeting housing numbers targets without infringing sensitive green belt areas).

Reflections

In terms of the themes of this book, England (in particular, within the wider British context) exemplifies both some of the 'best' aspects of planning for housing, and also some of the 'worst'. Whilst inclusionary approaches to provision of affordable housing within generally mixed developments have been mainstreamed and delivered on a major scale for more than a decade, England seems chronically incapable of planning for or building anything like enough housing in total for its expanding population. In a sense, the same feature lies behind both of these stories—local control. Compared to other countries, incentives to support and promote development are weaker, relative to the political costs which local councillors perceive. The evolution of mechanisms like s106, the CIL, and the NHB do somewhat increase incentives, but maybe the spatiality of growth will inevitably end up being a 'coalition of the willing' (Bramley and Watkins 2014b). In looking for ways to move the planning system further into a supply-promoting mode, the most plausible reforms in our view focus on giving authorities more positive tools to work with in leading proactive development agencies with the power to bring land forward and involve a wider range of housebuilders who actually want to build housing.

6

Planning, Housing Supply and Affordable Development in the USA

Introduction

There have been ongoing tensions between housing and urban policy in the USA, where restrictive local planning systems emerged as a mechanism for suburban ‘exclusion’ over the early and mid-twentieth century, exacerbating socio-spatial divides. This chapter explores these tensions, outlining the evolution of housing policy and its relationship to the planning system over the twentieth century. After reviewing the state of the market post-crisis, it goes on to explain contemporary housing roles of the federal government, states and local authorities in the USA, and the key forms of housing assistance through rental vouchers, public housing and tax credits to incentivise low-cost rental housing development and provision. This chapter then sets out a typology of planning system approaches for affordable housing, proceeding from ‘anti-snob’ policies in states such as Massachusetts, designed to overcome local resistance to affordable housing development in suburban neighbourhoods through to voluntary and mandatory inclusionary zoning schemes, which require a

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proportion of housing be set aside for affordable rental or home purchase; density bonuses for affordable housing provision, protective mechanisms and impact fees to preserve affordable housing or offset its loss. These measures have evolved over time and are now used in conjunction with new policies to encourage ‘smart growth’ and renewal through densification around public transit.

The concluding section summarises this history and experience, which has seen planning largely divorced from social housing issues and functioning primarily to protect the amenity and property values of middle-class suburbanites. With arguably no ‘national’ shortage of housing, the issue for affordable housing is a spatial one of delivering in areas of pressure. The lessons from significant regional initiatives for inclusionary housing are reviewed, and the key role of local and state-level initiatives and policy are underlined.

Evolution of Housing Policy and Urban Planning in the USA

As in Britain and Europe, concerns about public health and safety in the overcrowded urban slums of the late nineteenth century gave rise to a series of urban reforms in the USA. In New York City, Tenement House Commission reports (1894, 1900) found that 60 % of the city’s population lived in tenement housing—overcrowded and poorly designed buildings with inadequate sanitary conditions and ventilation. These tenements evolved to meet the demand created by a massive influx of poor immigrants, who crowded into the congested housing in order to be within walking distance of jobs (Hall 1996). Echoing the British Royal Commission of 1885, the need to remedy the poor housing conditions of the impoverished working class was recognised by social reformers. However, unlike the public housing models which emerged in Britain and Europe, regulating private development was the favoured solution:

“They looked at the London model of public housing, and decisively rejected it... at most municipal housing would ‘better the living conditions of a favoured few’ ...Besides, they felt, public housing would mean a

ponderous bureaucracy, political patronage, the discouragement of private capital. So it was to be resisted: physical regulation of the private developer was to provide the answer.” (Hall, 1996, pp. 38–39)

In fact, the promulgation of codified space standards, fire and plumbing regulations largely resolved health and sanitation concerns by the early years of the twentieth century (Marcuse 1980). Thus, housing reformers turned their attention towards the provision of new housing beyond the slums. During this period, ‘deconcentration’ of low-income and immigrant groups was an underlying theme in urban reform, and land use zoning represented an expedient technique:

“Zoning that restricted densities was likewise appropriate to prevent dangerous concentrations of potential malcontents ... (identified by race or national origin or income) from the better residential areas. Regional planning gave a broader context and rationale for these same policies.” (Marchuse 1980, p. 170)

Electric street cars enabled the suburban exodus but also introduced new problems of congestion concerns about the spread of urban ‘blight’ into residential neighbourhoods (Cullingworth and Caves 2014). Municipalities began to enact bylaws constraining the use of private lands—particularly industrial activities—and by the turn of the century had begun to regulate building heights as well. However, the codes and bylaws tended to apply to specific sites or building classes in a piecemeal fashion. Land use zoning, which emerged via the New York City zoning ordinance of 1916, was seen to offer much greater certainty to residents and investors than the system of private deeds which had hitherto been in place. Private deeds restricted initial land uses in neighbourhood areas, but there was concern about the risks of unwanted land uses when these deeds expired:

“Nothing made whole neighbourhoods feel so outraged and helpless as the construction of apartment houses when the private deed restrictions expired and there was no zoning to prevent vacant lots from being used for multifamily structures.... Nothing caused an investor so much anguish as the sight of a grocery store being erected next door to a single family

residence on which he had lent money.” (Scott 1969, cited in Cullingworth and Caves 2014, p. 100)

Similarly, Peter Marcuse comments that:

“Real estate interests have always been one of the dominant influences on municipal policies in the US. The City Beautiful movement was early supported by property owners because they saw it as giving a significant boost to property values, both generally and for specific locations. City plans were seen as a form of local boosterism, aiding business and increasing property values throughout a city generally.” (Marcuse 1980, p. 171)

He notes the explicit references to civic works and acquisitions (such as the provision of public parks) as a means of adding to the value of privately owned land and buildings.

In 1921, then Secretary of Commerce (and later President) Herbert Hoover appointed an Advisory Committee on Building Codes and Zoning. This body drafted a *Standard State Zoning Enabling Act* which provided a basis for the states to delegate power for zoning control to local municipalities:

“For the purpose of promoting health, safety, morals, or the general welfare of the community, the legislative body of cities and incorporated villages is hereby empowered to regulate and restrict the height, number of stories, and size of buildings and other structures, the percentage of lot that may be occupied, the size of yards, courts, and other open spaces, the density of population, and the location and use of buildings, structures, and land for trade, industry, residence or other purposes.” (extract from the *Standard State Zoning Enabling Act*, cited in Cullingworth and Caves 2014, p. 102)

Herbert Hoover’s influence was instrumental in the early evolution of American urban planning, with his particular perspectives on the role of government and regulation overall and on the land and housing market in particular:

“Hoover’s philosophy was that the role of the state was not to interfere with market forces, but to make them more efficient by, for example, facilitating

production of better market information, advancing the acceptance of standardisation, and (in the area of housing and urban development) assisting with the introduction of a system for orderly development which would be safe as an investment for both lenders and borrowers. In particular, it provided protection to home owners from uncongenial neighbouring uses which would affect both amenity and market value.” (Cullingworth and Caves 2014, p. 102)

The *Standard State Zoning Enabling Act* included provisions for municipalities to divide land into ‘districts’, for land use regulations to conform to the provisions of a comprehensive plan; for public consultation processes (in the form of a hearing) to occur before a proposed regulation is made, and the appointment of a ‘zoning commission’ to consider zoning matters. It was first published in 1924, and by 1929, three-fifths of the nation’s urban population were in local government areas which had adopted zoning ordinances (Cullingworth and Caves 2014). In 1928, Herbert Hoover’s Advisory Committee prepared a parallel city planning enabling act which provided for more strategic city and regional planning, to be overseen by planning commissions tasked with the preparation of master plans for the spatial organisation of cities and regions.

Early legal contests over the scope of zoning only confirmed the validity of the approach. For instance, in 1926 the Supreme Court supported the constitutionality of zoning in the town of Euclid (Cleveland), in response to a landholder claim that the ordinance blocked “the natural course of industrial development”, whilst reducing the value of his land, and inflating the values of other sites (Cullingworth and Caves 2014, p. 104).

In upholding the legality of land use zoning, US courts have reinforced its rigidity as an instrument for development regulation, and it is argued that this rigidity underscores “its enormous popular appeal” (ibid, p. 106). At the same time, there has been ongoing criticism of the ways in which American zoning has provided a way of preserving the status quo within existing areas, and of implementing racial segregation through the separation of land uses. For instance, the dominance of restrictive residential zones within which single dwelling houses on detached allotments are the only permitted use, provided a way of ensuring that apartments and their residents—typically of more diverse racial

and ethnic backgrounds—did not intrude into white middle-class suburbs (Fischel 2004). Further, zoning has been associated with sprawl, as the separation of incompatible land uses and low-density suburban suburbs meant high car dependency (Ewing 2008). Zoning is also criticised as an impediment to the free market system, and as noted particularly in Chaps. 1 and 3 of this book, there is ongoing debate about the impact of land use zoning and local planning processes on the supply and affordability of new homes. In response, a range of ‘inclusionary’ zoning strategies have emerged to counteract the exclusionary effects of rigid zoning and development control in American cities and towns, discussed further in the final section of this chapter.

The Post-war Years: Towards Home Ownership, and Public Housing for the Working Poor

As noted already, early American responses to the housing problems of the working poor centred on regulation—building and tenement codes to address the health and safety of housing conditions, and zoning to prevent the spread of urban ‘blight’ into middle-class neighbourhoods.

However, the Great Depression sparked two important policy interventions: federal mortgage insurance to support finance for home ownership (1934) and federal legislation for public housing (1937). The new finance system for home ownership provided for 20-year loans and considerably reduced the costs of home purchase, resulting in a significant boost in housing construction (from 93,000 units in 1933 to 216,000 in 1935 and 619,000 in 1941) (Cullingworth and Caves 2014, p. 45). The changes supported the organisation of a large scale housing development sector in the post-war era. Mortgage financiers exerted some influence over the location and type of housing investment, preferring suburban locations rather than inner city areas, owner-occupied dwellings rather than rental properties, and racially ‘homogenous’ areas:

“Attitudes such as these, which predominated in the private market, were shared by the public agencies: their interest was essentially in supporting the real estate and banking interests.” (Cullingworth and Caves, p. 45)



Illustration 6.1 Planned residential community, USA. *Strict minimum allotment sizes, building setbacks and other design controls are described as 'exclusionary' zoning in the USA, because they prevent more diverse and affordable housing types in residential neighbourhoods.* (Image credit: Nicole Gurran 2012)

Tax deductibility of home mortgage payments became an important benefit for home buyers as well, and rates of home ownership surged between 1940 and 1980 (Chevan 1989), reaching 66 % by the year 2000 (Bennefield and Bonnette 2003). However, home finance was not universally available, in part due to discriminatory lending practices (forbidden in the late 1960s) as well as discriminatory forms of housing development through racial covenants which restricted the home purchase to white groups in certain neighbourhoods.

Despite the passage of public housing legislation in the late 1930s, ambivalence towards public housing continued, with concerns that government intervention would undermine private enterprise. The National

Association of Real Estate Boards was articulate in opposing public housing initiatives throughout the 1940s and beyond, arguing “that the private market could meet all the nation’s housing needs without the intervention of government” (Cullingworth and Caves 2014, p. 339). The initial legislation signalled that slum clearance and provision of public housing were legitimate areas for public intervention, but weak substantive provisions and ongoing opposition delayed progress until the eventual passage of the 1949 *Housing Act* which promulgated the national goal of a “decent home” for all American families (ibid). The legislation provided for the construction of 810,000 public housing dwellings, a target which was eventually reached over a 20 year period. Public housing was initially intended for the working poor—those who could afford to pay sufficient rent to cover the operating costs of the housing with the federal government keeping the rents down by subsidising the cost of development.

The scheme provided federal funds to local authorities for the acquisition and redevelopment of sites, initially for public housing, and later for wider urban renewal activities, with 35 % of project grants able to fund non-residential development by the 1960s (Cullingworth and Caves 2014). Although these urban renewal initiatives supported many central business districts, contributing to their economic development, redevelopment activities dislocated existing neighbourhoods and in some cases contributed to blight. Nor did the renewal activities succeed in preventing the exodus of middle-class households to new suburban estates in the suburbs.

The construction of high-rise, isolated public housing buildings under these schemes segregated residents from surrounding communities and became characterised by extreme disadvantage. Severe cost limitations meant that the public housing stock was often poorly designed and maintained. With local government responsible for the selection of locations for public housing development, projects were often located in areas already suffering from a variety of social ills such as high crime, poorly performing schools and high levels of unemployment.

Thus, public housing became housing for the poorest of the poor in the 1960s. Rents were no longer tied to the cost of operation of the public housing but to the income of eligible households who resided in the public housing, paying 30 % of income towards rent and utilities. This model of public housing is now widely perceived to be a poor method for delivery of affordable housing because it concentrates low-income

groups into a single development, occupied entirely by the poorest of the poor with that housing often located in a neighbourhood that offers few opportunities. As poverty becomes concentrated, social ills multiply, subjecting the poor households and the surrounding neighbourhood to problems of concentrated disadvantage. Thus, this form of 'residualised' public housing provision is not good for the individual household, the project or the surrounding neighbourhood.

By the early 1990s, the Federal 'Homeownership and Opportunity for People Everywhere' (HOPE) programme began to offer funding for initiatives to revitalise severely distressed public housing developments and surrounding neighbourhoods, including provision for partnerships with non-profit and private sector groups in planning and developing new mixed income communities (Hanlon 2010). Under the Obama administration, this programme became the *Choice Neighbourhoods* initiative, which offers funding for neighbourhoods to implement a comprehensive transformation plan.

Subsidies for Affordable Housing Development

By the late 1970s, the government began to pursue several new approaches to subsidising low-income housing owned and operated by either for-profit private development firms or non-profit development organisations. The subsidy was initially delivered by below market interest rate financing (e.g. the 'Section 236 Programme'). The US government would provide mortgage financing at below market terms on the agreement that the reduced debt service costs would be translated into below market rents for low-income households.

This subsidy was later shifted to a leasing mechanism, known as the 'Section 8 New Construction and Substantial Rehabilitation Programme'. The government would enter into a lease agreement with the developer, agreeing to guarantee the rents on units built or renovated for this programme, and the developer would agree that the units would only be occupied by poor households. With this agreement, the developer was able to borrow the funds necessary to develop the property because the income was guaranteed, assuring the lender that the development would receive sufficient income to repay the loan and operate the property. Many

projects were developed under these two approaches as well as other programmes for specialised populations (people with HIV/AIDS, projects for the elderly, housing sponsored by non-profit organisations, and so on). However, many of the developments financed in this way have subsequently been withdrawn from the assisted housing portfolio upon completion of the contractual obligations of the lease or financing mechanism.

The Low-Income Housing Tax Credit (LIHTC) programme is the second major approach of the federal government to produce affordable housing. With the slow contraction of public housing stock and forms of other multi-family housing, in 1986 the US federal government turned to the use of tax credits to develop new or renovate existing rental housing for occupancy by low-income households. The tax credits reduce the federal income tax liability of investors who purchase the credits. These investors purchase the credits by partnering with developers of the low-income housing. The developers receive the credits through a competition held in each state. The proceeds of credit sales pay some portion of the costs of low income housing development. The development must be occupied by low-income households and must charge rents no more than the government permits under the programme's regulations. These reduced rents would prevent the developer from being able to leverage the money necessary to finance the project. However, the reduced leverage is offset by the proceeds from the sale of the tax credits, making the project viable.

The LIHTC developments tend to serve the least worst off of the poor. The programme incentivises private for-profit or non-profit developers to build or renovate housing for occupancy by households whose income is low-income must be below 60 % of the metropolitan Area Median Family Income (AMFI) but not too low (generally a household must have income above 30 % of the AMFI in order to afford the rent charged).

The US Housing System in the Twenty-First Century

The strong policy emphasis on home ownership as the 'great American Dream', continued through the late twentieth and early twenty-first century. With most home owners living in detached dwellings, and most renters living in apartments, housing tenure became an important

underlying explanation for patterns of growth and change in American cities and suburbs. One of the distinct aspects of America's housing system is the relationship between dwelling units and tenure, where there is limited interchangeability between the stock of rental and owner-occupied accommodation. Purpose built rental housing tends to have a distinct typology—being predominantly 'multi-family' apartments—in contrast to owner-occupied homes. In the year 2000 for instance, over 80 % of owner-occupied homes were detached suburban dwellings, compared to around 60 % of the entire housing stock (Bennefield and Bonnette 2003). Reflecting the sharp dichotomies between the housing circumstances of different social groups, of the remaining dwellings in owner occupation, a considerable 8.45 % were mobile homes (*ibid*).

Rates of home ownership peaked in 2007 at 67 % of households, before falling in the wake of the mortgage foreclosure crisis and GFC (to 65 % by 2013). The financial crisis prompted much reflection on the desirability of home ownership as an overarching objective and on the potential for other forms of federal housing assistance (Landis and McClure 2010). Before outlining the current state of American housing assistance, it is useful to explain the overarching features of housing demand and supply.

Housing Demand and Supply in America

In a nation as large as the USA, many markets exist and these markets will have variations in their supply and demand matchups. Some will be tight markets with low vacancy levels, some will be soft markets with high vacancy levels, whilst still others will have a good balance between supply and demand creating healthy levels of vacancy. However, the national numbers do tell an overall story of housing market conditions and this story is one of soft markets with too many vacant or off-market units. By most standards, US markets are generally soft, that is, vacancy rates (the proportion of unoccupied homes) are above what economists and investors would see as healthy. This statement runs contrary to what is the conventionally accepted view of housing markets. It is commonplace to hear of talk of the housing shortage or of tight markets.

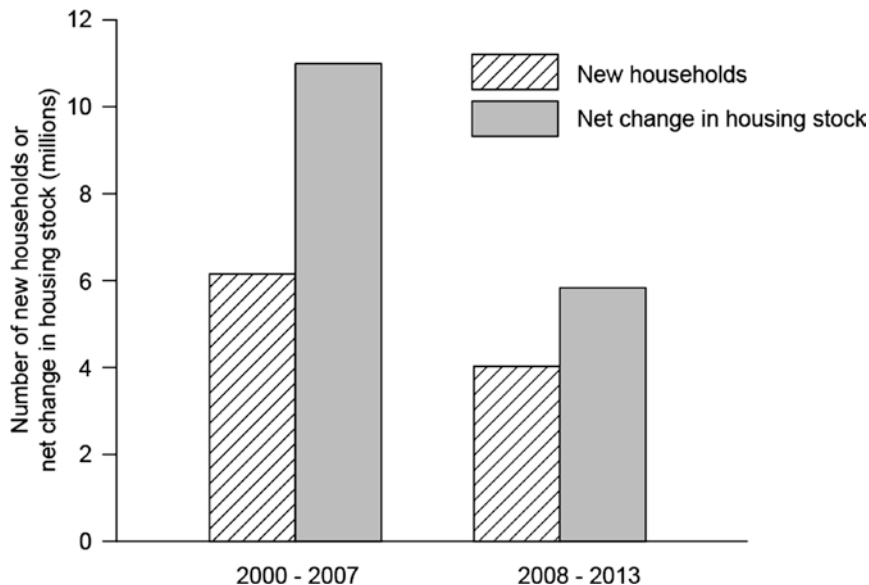


Fig. 6.1 Household formation and housing production in the USA, 2000–2013 (Source: US Census Bureau, 2009–2013 5-Year American Community Survey, US Census Bureau, 2005–2007 3-Year American Community Survey, US Census Bureau, Census 2000)

Part of this problem is the result of rates of new housing production which continue to outpace the rate of household formation, despite having reduced sharply in the years following the GFC (Fig. 6.1).

During the period when the housing bubble inflated, 2000–2007, the nation grew by 6.1 million households, but the nation’s housing stock grew by 11.0 million units. This is a ratio of 180 units added for each 100 households formed. It is true that the housing market should grow more units than households form, so as to maintain an ample supply of vacant units. However, if the normal vacancy rate is about 3 %, the effective housing stock increased by 174 units for every 100 housing units needed.

It is interesting that after the bubble burst, the overbuilding did not come to a halt as is commonly believed. Note that from 2007 to 2013, the nation added 4 million households. Given the surplus of housing, the stock

Table 6.1 Household tenure and housing supply in the USA, 2000–2013

	2000	2007	2013
Households			
Owners	69,815,753	75,072,666	75,075,700
Renters	35,664,348	36,536,963	40,534,516
Total	105,480,101	111,609,629	115,610,216
Housing units			
Owner occupancy	71,020,071	77,469,102	77,366,310
Renter occupancy	38,279,000	40,317,576	44,364,523
Seasonal or migratory farm worker housing	3,604,216	4,242,824	5,157,011
Off-market	2,298,919	4,208,382	5,169,960
Total	115,202,206	126,237,884	132,057,804

Sources: US Census Bureau, 2000, 2005–2007 3-Year American Community Survey, 2009–2013 5-Year American Community Survey

should have expanded by something less than 4 million units in order to house the new households but also to absorb some of the surpluses. This did not happen. Rather, the nation's homebuilders continued to expand the stock at a pace greater than the pace of household formation by adding 5.8 million housing units (Table 6.1).

The segregation between dwellings and tenure make it possible to track patterns in housing supply and vacancy by tenure. As shown in Table 6.1, both the supply of owner occupation and rental accommodation increased markedly between 2000 and 2007, but only the supply of rental units increased in the post-crisis period.

Abundant supply should, in theory, bring down housing prices and resolve affordability problems faced by lower-income groups. The nation certainly has enough housing units to house all of the population. As a nation, the USA contains 132 million units to house its 116 million households leaving 16 million vacant units. Not all of these units are for rent or for sale. Some are seasonal units. Some are for migratory farm workers. Some are simply off of the market, not occupied but the owner is not actively seeking to sell or lease the unit.

The overall vacancy rate in the USA is 12.5 % across all units. If the seasonal and migratory farm worker housing is omitted from the calculation, the vacancy rate for all housing is nearly 9 %. High vacancy rates should moderate price increases and dampen the rates of new production. These conditions should

help to reduce the problems of housing affordability in the USA. But this has not happened. In addition to ongoing housing construction, house prices have continued to rise, following the short lived slump in the GFC period.

US Housing Market Conditions: Prices

In a normal market without severe constraints upon developable land, shortages of building materials or credit to finance the purchase of homes, prices should rise with the growth of the incomes of the households consuming in each market. The incomes of these households are the effective demand that should drive prices for the supply of housing. The USA has witnessed a 58 % growth in the value of typical owner-occupied homes from 2000 to 2013 notwithstanding dramatic surges and falls prior to and following the GFC (Table 6.2). This overall price appreciation is greater than either the growth of all prices generally during the time period or the incomes of home owners. The Consumer Price Index (CPI) is a generally accepted measure of consumer prices for all goods. It rose by 34 % during this time period, 24 % points below home price increases. The typical homeowner experienced 31 % growth in income during this period, actually falling short of inflation and 27 % points below the growth in house prices. With prices outpacing income growth, it comes as no surprise that affordability problems are so commonplace.

Table 6.2 US house prices, rents and incomes 2000–2013

	2000	2013	% change
Median value of owner-occupied housing	\$111,800	\$176,700	58.10
Median monthly gross rent of rental housing	\$728	\$904	24.20
Median household income of owner-occupants	\$51,323	\$67,298	31.10
Median household income of renter households	\$27,362	\$32,466	18.70
Consumer price index change			33.90

Source: US Census Bureau, 2009–2013 5-Year American Community Survey

Affordability problems are felt even more acutely on the rental side of the market. Rents rose by less than inflation during this period, rising 24 % points. This would be a healthy sign given the 34 % growth in consumer prices generally. However, the typical renter household experienced only a 19 % growth in income, losing ground against prices generally and the cost of rental housing in particular.

The impact of affordability pressures is highlighted when examined in relation to housing costs and the incomes of the population. Tables 6.3 and 6.4 show that more than half (about 20 million) renter households pay more than 30 % of their income on housing, and that a nearly a third of owner-occupant households do as well.

The reasons that households suffer from these high housing cost burdens are not immediately obvious when looking at the breakdown of housing by price levels and households by income levels.

Figure 6.2 examines housing for owner-occupants. The figure breaks the households into five income categories from a low of less than \$20,000 of income per year to an income category of greater than \$75,000 per year. The figure breaks down the housing supply into price categories that are affordable to households in these income groupings using normal market borrowing terms. Generally, the alignment between the number of housing units and households in each category is relatively good. The only category with a significant shortage of units relative to households is the highest-income category. Given the capacity of the US housing industry to build as many units as are needed and more, it is doubtful that this shortage of units reflects an inability to add units where they are needed.

Table 6.3 Per cent of renters paying more than 30 % by income, 2013

Annual income	Percentage (%)
Less than \$20,000	88.70
\$20,000 to \$34,999	72.30
\$35,000 to \$49,999	40.10
\$50,000 to \$74,999	19.30
\$75,000 or more	5.40
Total per cent of all renters paying more than 30 % of income towards housing	52.30

Source: US Census Bureau, 2009–2013 5-Year American Community Survey

Table 6.4 Per cent of owners paying more than 30 % by income, 2013

Annual income	Percentage (%)
Less than \$20,000	73.20
\$20,000 to \$34,999	49.10
\$35,000 to \$49,999	38.40
\$50,000 to \$74,999	26.80
\$75,000 or more	11.20
Per cent of all owners paying more than 30 % of income on housing	28.70

Source: US Census Bureau, 2009–2013 5-Year American Community Survey

Table 6.5 Housing assistance programmes in the USA, 2012

Programme	Units or Households assisted
Project-based rental assistance	
Public housing	1,150,867
Federal Department of Housing & Urban Development (HUD) multi-family programmes (e.g. Section 230, Section 8 Moderate Rehabilitation)	805,814
Section 8 new construction/substantial rehabilitation	840,900
Low-income housing tax credit	2,131,062
Tenant-based rental assistance	
Housing choice voucher	2,386,237
Total	7,314,880

Source: US Department of Housing and Urban Development, 2013

It seems much more likely that the shortage of units is simply a response to lower levels of demand. Many of the households in the highest-income category may choose to consume less housing than they can afford and allocate the freed up income to other forms of non-housing consumption. This also means that these upper-income households are competing for lower-priced housing units which can reduce the availability of these more moderately priced units for those middle- and lower-income households who cannot afford units at a higher price range.

Amongst homeowners, there appears to be a relatively good match between the numbers of moderately priced housing units, \$60,000 to

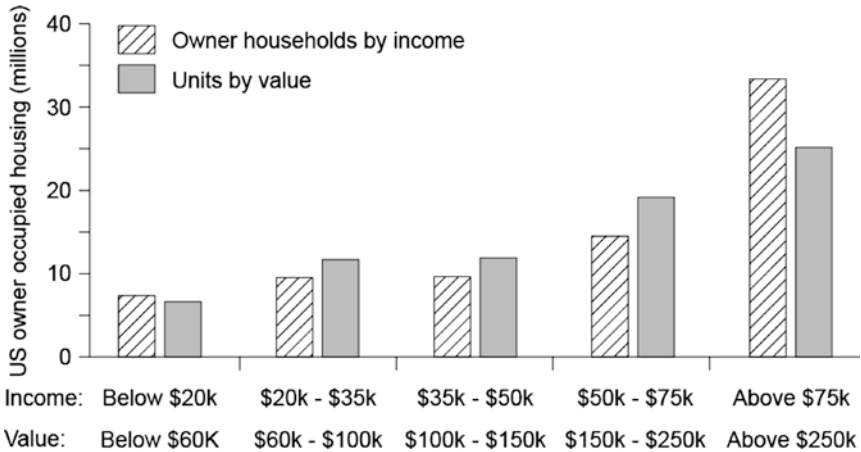


Fig. 6.2 Housing supply and demand, US owner-occupied housing, 2013
(Source: US Census Bureau, 2009–2013 5-Year American Community Survey)

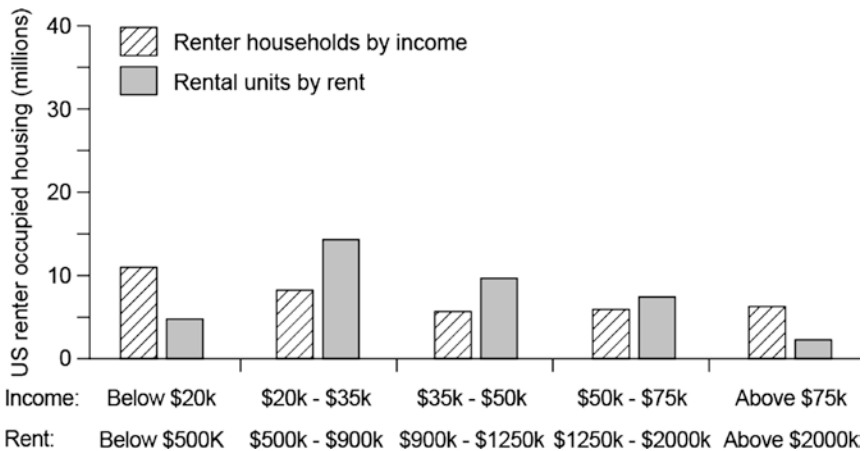


Fig. 6.3 Housing supply and demand, US renter-occupied housing, 2013
(Source: US Census Bureau, 2009–2013 5-Year American Community Survey)

\$100,000 and \$100,000 to \$150,000, and the numbers of households who can afford these units.

A shortage does exist amongst those households at the lowest-income levels, below \$20,000 per year, which is generally considered a threshold

for poverty. It is not surprising that the market cannot provide housing priced at a level that is affordable to the poor. Thus, it would seem that the problem of housing affordability amongst owner-occupants in the USA is not due to too few units or even due to pricing problems. Rather, something else must be acting upon the market. The units are not located well or, perhaps, many consumers have a taste for more and better housing than they can easily afford, causing them to absorb very high housing cost burdens.

Renters have a different type of problem. As is found amongst owners, the highest-income renters confront a shortage of supply, but again, this is probably a response to a lack of demand for higher-priced rental units. The highest-income renter household probably consumes lower-priced rental units out of choice rather than out of scarcity. The largest single segment of rental units is found in the price range with a monthly gross rent (rent paid to the landlord plus the cost of any tenant-paid utilities not provided by the landlord) of \$500 to \$900. There are about 15.2 million rental units in this price range, yet there are 8.2 million renter households in the income strata of \$20,000 to \$35,000 per year, the income category that would be expected to seek out units in this price range. Thus, a large surplus exists in this moderately priced category, yet the typical renter household in the USA suffers from a high housing cost burden.

The high incidence of a housing cost burden problem amongst renters is partially explained by the mismatch between households and units at the bottom of the income-price continuum. There are 11.1 million poor renter households in the USA but there are only 4.9 million rental units priced at a level that would nominally be affordable to these poor households. The 6.2 million unit shortfall explains a very large part of this incidence of high housing cost hardship amongst renters in the USA.

Spatial Issues

The earlier discussion suggests that affordability problems in the USA are not a function of the numbers of housing units in the stock. Generally, there are more units than are needed. Nor are affordability problems in the USA a function of the prices of these housing units either. With the exception of the poorest households, most amongst the renters, the

prices of units correspond to the incomes of the households in each tenure group.

Why then do 40 million households in the USA allocate more than what is considered a reasonable amount of income towards housing? With a population as large as is found in the USA, distributed across more than 300 metropolitan markets of many sizes, many answers are available and are accurate for many of the markets. Probably foremost amongst the explanations is the spatial transformation that is taking place in many metropolitan markets. The central cities of most metropolitan areas have lost their dominance as the location of employment opportunities. The jobs have moved to the suburbs. The workers have moved to the suburbs as well. This movement is fuelled by many forces. The housing in the suburbs is new, larger and built with more amenities.

Public services are better in the suburbs. This is especially an issue for families with school-age children. The quality of education is important in the location decisions of these families. Sadly, it is commonplace for schools in the older central cities to be of much lower quality than schools in the suburbs causing households to live in the suburbs who might otherwise prefer to live near the activities found in the downtowns of central cities.

Race and ethnicity are also a driving force in housing. (In the USA, the term ethnicity is used to describe people of Hispanic origin independent of the race with which they identify.) Racial separation is improving in the USA, but the pace of racial integration is very slow, leaving most metropolitan markets highly segregated along racial and ethnic lines. Generally, central cities have a higher incidence of these minority populations whilst the suburbs tend to have a higher incidence of non-Hispanic whites. Thus, addressing problems arising from the distinct geography of opportunity in the USA—which has manifested in patterns of socio-spatial exclusion and disadvantage, has been a key theme underlying the nation's more recent housing assistance programmes.

Contemporary Housing Assistance Programmes in the USA

By far the most prevalent form of housing assistance in the USA is provided indirectly, in the form of favourable taxation benefits for home owners. Aside from this indirect support, of the approximately

116 million households in the USA, only about 7 million (6 %) are directly assisted by the federal government. Another 8.5 million do not receive assistance yet they suffer from a very high housing cost burden (greater than 50 % of income towards rent and utilities), poor quality housing or both (HUD 2015). The unassisted households are called 'Worst Case Needs' households. Thus, many poor households are unserved but are in great need of assistance. These unserved needy households must find housing in the private, unsubsidised market. The Worst Case Needs households do not encompass all of the households who suffer from housing affordability problems in the USA, however. As noted earlier, more than one-third of all US households live in housing that costs the household more than 30 % of income. The problem varies with income level. The poor are much more likely to suffer from a high housing cost burden than the non-poor.

The population of renters tends to be much poorer than the population of owner-occupants. As shown in Tables 6.3 and 6.4, amongst owners, 29 % suffer a high housing cost burden, but amongst renters, 52 % pay this high burden. These households with a high housing cost burden total 41 million households. Some of these are households with middle or upper incomes, who have chosen to live in housing that creates a cost burden.

However, the majority of severely burdened households are those with incomes below \$20,000, including 5.4 million owner-occupants and 9.8 million renter households. Thus, over 15.8 million poor households in the USA must allocate over 30 % of their limited incomes to housing indicating that the 7.3 million assisted housing units and vouchers fall well short of covering the need to assisted housing.

As noted already, the private market is the main provider of housing for low-income groups in the USA, where the stock of publically owned social housing is low.

The Role of Land Use Planning

Perhaps more than any other country, the USA highlights the ambiguous role of land use planning in redressing or exacerbating problems of

housing affordability and access to urban opportunities (von Hoffman 2009). As outlined in this chapter so far, the evolution of land use planning in the USA—early building and tenement controls, and subsequently the rigid system of land use zoning, reflected strong support for private enterprise and the market on the one hand, and private property on the other. Notions that the government might intervene in the land and housing market to directly provide housing for lower-income groups, or even to redistribute some of the windfalls arising from public policy decisions and investments (allocating land for urban development, provision of public infrastructure), were strongly resisted by industry groups such as the National Association of Real Estate Boards. Indeed, land use planning—implemented through zoning ordinances—was a critical tool in maintaining the status quo in favour of suburban home owners. Arguably, the role of zoning as an instrument for social exclusion increased following a 1948 US Supreme ruling against the validity of covenants (used to prevent home owners from selling to minority racial groups), and the subsequent passage of the *Fair Housing Act* in 1968, which prohibited racial discrimination in the sale or rental of housing (Fischel 2004).

Exclusionary Zoning

Ostensibly, zoning is a mechanism that is used to separate incompatible land uses from each other. For example, it permits heavy industry in one area of land so as to protect housing from the harmful effects of the industry. Zoning in the USA has become very ornate, far beyond anything necessary to separate incompatible land uses. Housing in particular is separated by fairly minor density gradients. It is commonplace to have one zone to permit only homes with single, unattached buildings and another zone to permit only two-family dwellings. These zoning laws have been augmented by a variety of building and housing codes that set minimum standards of lot size, dwelling size and even building materials. For example, some communities require minimum lot sizes in excess of a one-half acre per dwelling unit and dwelling sizes in excess of 2000 square feet. Many of these communities require such amenities as wood roof shingles and wood siding.

All of these requirements are justified locally as serving the welfare of the community. Yet is hard to believe that this justification could stand up to any close scrutiny because clearly it is possible for families to live and thrive in housing located on smaller lots, in homes of smaller size and with construction materials that are more modest.

The probable purpose of these zoning and building code requirements is social exclusion. The regulations are designed to force the minimum price of the home in a jurisdiction higher than it would be in a competitive marketplace. By setting the entry level price of a home high, the community prevents entry by the poor. The price exclusion can go beyond just preventing entry by the poor; it can ensure that the only households who can make entry into the community, are as rich as the typical resident of the community.

This income separation is referred to as Tiebout Stratification. The theory, first formalised by Charles Tiebout (1956), describes communities in a metropolitan area as a set of clubs with members voting with their feet by locating where their services needs are best met within their income constraints (Tiebout 1956; Schill and Wachter 1995). But the income separation goes beyond just stratification by income; it carries over into race and ethnicity. The US labour markets suffer from a great deal of discrimination against members of racial and ethnic minorities. Given that these minorities end up with lower incomes, exclusionary zoning not only stratifies communities by income levels, it also separates populations by race and ethnicity. This system forces the poor and minorities into those communities that do not exclude because of a low price level on its housing and a low quality of public services.

By living out of a jurisdiction with many poor people, the rich could reside in communities serving only their own needs, allowing them to tax themselves very lightly while being able to provide a very high quality of public services with these public revenues. This system would be unstable in an open marketplace with free movement from one jurisdiction to another. In an open marketplace, poor people would see the lower taxes and higher quality of public services in the suburban community and attempt to move into that community. This movement would raise the cost of services in the suburban community as the poor would place higher demands upon the public services. Thus, the rich need a

mechanism that inhibits such movement of people into the jurisdiction. Rigid zoning requirements—preventing the multi-family dwellings which typically accommodate lower-income renters—and mandating large minimum lot sizes and generous building setbacks—became a default mechanism for excluding lower-income and minority groups from these neighbourhoods (Fischel 2004).

Inclusionary Housing and Community Development

However, over the past 50 years or so, state and city governments around the USA have led a number of initiatives to dismantle or counteract exclusionary zoning provisions and offset the impacts of gentrification by fostering new affordable housing development. Whilst cities may directly subsidise housing development, few have the economic resources to do this in a significant way. Rather, direct subsidy for housing development is seen as the role of the federal government, which provides grant funding under the schemes outlined above, for use at the local level. With limited other resources available to allocate to housing, cities tend to look for ways to facilitate the development of affordable housing at low or no cost to the community, particularly through the planning process.

‘Inclusionary housing’ is the term most frequently used to describe a wide variety of techniques that link development of low- and moderate-income housing to development of housing for the middle- and upper-income market. A variety of different types of schemes have emerged across the different state and local jurisdictions of the USA (Schuetz 2009; Calavita et al. 2010). The term ‘inclusionary’ was coined because these approaches seek to directly counteract the ‘exclusionary’ impacts of zoning and planning schemes which are intended to reduce social diversity. In 2014, the Centre for Housing Policy identified 512 inclusionary housing programmes across 27 states and the District of Columbia (Centre for Housing Policy 2014). However, there is no national listing of the number of affordable housing units which have been delivered as a result of these schemes. Following the GFC and housing market downturn in the USA, there were debates about the future of many such schemes, in the context of ongoing concerns about their impact

on development viability as well as the need for low-cost home ownership versus affordable rental dwellings (Hickey 2013). Yet in the context of major investment in transit projects, and widespread up-zoning for higher-density and infill housing, many cities have sought to maintain affordable housing opportunities through inclusionary policies (Centre for Transit Oriented Development 2009).

Inclusionary Zoning

‘Inclusionary zoning’ is perhaps the most commonly referred to mechanism for securing affordable housing as part of new development, but the term is often misunderstood. In the strict sense, inclusionary zoning makes affordable housing inclusion a development requirement, through the zoning scheme. In other words, development meeting particular criteria (typically residential and/or commercial development) and occurring within a designated zone, will need to meet obligations for affordable housing. These obligations might be set in the zoning scheme and relate to a fixed proportion of total dwelling units, or floor space, or might be able to be provided as a cash contribution, usually determined as a reflection of the true cost of providing units which would otherwise be delivered on site. Depending on the requirements of the scheme, the developer might be required to absorb the full cost of constructing the affordable units which must then be gifted or made available to a local affordable housing programme or for lower-income renters meeting set eligibility criteria. Or the scheme might allow or require the developer to partner with an affordable housing provider who will finance the capital development costs of the low-income portion of the total project. Another variation is to deliver the affordable units as part of a low-cost home ownership scheme for eligible purchasers. One of the features of inclusionary zoning schemes in the USA is that they act to directly counteract the socio-spatial segregation associated with traditional public housing projects.

Imposing a requirement of this type is virtually costless to the city, but can add to the supply of affordable housing and promote greater economic and racial residential integration (Calavita et al. 1997). However,

inclusionary zoning has the limitation that it can only be effective in strong markets where there is considerable development activity. If the demand in a community is weak, developers will be unwilling to accept the imposition of inclusionary zoning and develop housing in communities where the demand is stronger. Similarly, without significant development activity, an inclusionary housing scheme will deliver very few affordable units. This implies a circular problem, where the 'exclusionary' zoning techniques which have contributed to a particular type of housing demand may also foster the conditions by which 'inclusionary' zoning codes are likely to be most successful.

Further, support for inclusionary zoning has been difficult to build and sustain in many parts of the USA. Households who live in a community may feel threatened by the development of housing for low- or moderate-income housing, fearing that the value of their own homes may be lessened (Pendall 1999; Schively 2007). The households who will benefit from the development of low-income housing may not live in the community. Thus, the opponents of inclusionary zoning will likely already be present and vocal in local politics whilst the proponents may not be present and will have not standing to speak in the local political process. Of course, developers have also been active in opposing inclusionary zoning schemes and will often argue that affordable housing obligations make housing more expensive across the market, or discourage new housing supply.

Density Bonuses

'Density bonuses' enable a developer to increase the number of housing units in a development, beyond what would normally be allowed under the zoning ordinance, if the development meets some specified public purpose. A common public purpose is setting-aside a number of units for low-income occupancy. Density bonuses have long been used by communities in California to promote affordable housing (Calavita et al. 1997) and are now used in many parts of the country. However, evaluation of density bonuses is mixed, with concerns that the increased density reinforces the spatial mismatch between wealthy

and impoverished neighbourhoods in the USA. For instance, a review of the use of density bonuses in San Diego found that the bonuses were used primarily in lower value land markets, and so acted to reinforce spatial concentrations of poverty (Ryan and Enderle 2012).

In New York City, a 'designated areas' voluntary inclusionary policy, introduced in 2005, offers density bonuses of up to 33 % in exchange for a 20 % affordable housing dedication for affordable rental housing. The scheme had produced around 1800 units by 2013 and is widely regarded to be successful (Hickey 2013). However, where permissible densities are already high, or applied with flexibility, density bonuses offer little incentive for developers to take up.

Impact Fees

A final revenue-neutral technique for a community to gain resources that can be allocated to develop affordable housing is the use of impact fees and trust funds. Impact fees are usually charged on the development of some type of real estate that is in high demand. When applied to affordable housing, the proceeds of these fees are placed in a special account or trust fund with the usage of that trust fund limited to the development of affordable housing. For example, during the office market boom of the 1980s, both San Francisco and Boston imposed fees on new office development. The fees received were placed in funds used to subsidise the development of low-income housing.

Whilst other schemes began to replace impact fees as a mechanism for funding affordable housing over the past two decades, they have had a resurgence in some jurisdictions following legal challenges to inclusionary zoning, such as in California. In 2009, a developer successfully challenged the legality of an inclusionary zoning scheme on the basis that the requirement would have the effect of dictating future rents (associated with the affordable housing contribution), which was found to be invalid (*Palmer/Sixth Street Properties vs. City of Los Angeles*) (Micallef 2011). To levy the impact fee, 'nexus' between a development and the need for affordable housing must be demonstrated, which is done by estimating the number of additional low-income workers requiring housing that

would be generated by a new development. All multi-storey housing units are able to be captured via this calculation which estimates the likely jobs created by residents of the new development. The fees are then modified to consider viability issues. The cities of San Jose, Napa, Berkeley, San Carlos and Counties of San Luis Obispo and Mateo now have impact fees in place to generate funds for affordable housing provision. The fees range from around \$3,800 per residential unit (Napa) to around \$20,000 per unit in Berkeley (Micallef 2011).

Overcoming Barriers to Affordable Housing Development

Some state governments in the USA have set a framework to encourage or require local authorities to provide for affordable housing development, by mandating the preparation of plans which accommodate sufficient opportunities for low-cost housing across a metropolitan or regional area (Cowan, 2006; Basolo and Scally 2008). The approaches used in Massachusetts, New Jersey and California highlight different models and an evolving policy struggle over the legitimacy and value of supporting affordable housing through the planning process in the USA.

Massachusetts Chapter 774 Anti-snob Zoning Act

The State of Massachusetts in the northeast was enjoying vibrant economic growth in the 1960s and 1970s. This growth in the economy brought growth in wages and demand for housing, pushing up prices. The out-migration of families from the older central cities of the state (Boston, Worcester and Springfield) to their surrounding suburbs was exacerbating the income segregation of the state. Increasingly, the metropolitan areas were becoming highly stratified by income with the poor relegated to the central cities with the high-income households living in the suburbs. The high-income households recognised the financial advantages of living in the suburbs and used restrictive zoning practices to prevent diverse and lower-cost housing opportunities that would serve larger and more diverse populations.

In response, in 1969 the state of Massachusetts introduced a law to make all communities accept their fair share of affordable housing (known as 'Chapter 40B'). The intent was simple, that each city in the state should have a housing stock that offers at least 10 % of that stock at prices deemed affordable to low- and moderate-income households. The workings of the law were designed to make it easier to build affordable housing in all communities. If a developer sought permission to develop affordable housing from a community that did not meet the 10 % requirement and the developer was denied permission to develop by the community, then the developer could appeal to the Housing Appeals Commission (HAC) of the state. The HAC was a set of state officials obligated to hear such appeals and to act quickly unless a community could demonstrate that the denial was based upon good planning principles and not motivated by a desire to exclude the poor or minorities.

If the project was either denied or approved with prohibitive conditions, the HAC was able to grant a building permit to the developer, overriding local objections. However, a community could contest the approval in the federal civil court, which is notoriously slow. The community could invest a very small amount of money in the legal costs of pursuing a case against the HAC, knowing that a lengthy delay may cause the developer to abandon the project as unwinnable.

The results seemed unimpressive in the early years. In the first ten years of operation, over 14,000 units of low- or moderate-income housing was proposed by developers under the law and appealed to the HAC, but only 3600 were built. The factor limiting the impact of the law was the persistent resistance to it by the suburbanites who wanted to protect their exclusionary communities from the influx of families poorer than themselves (Knetzeiz 1979) and nearly all permits issued by the HAC resulted in court battles. However, in later years, the anti-snob process became a negotiated process. The HAC, or more correctly its staff, entered into the role of a negotiator to broker a deal between the community and the developer that would be acceptable to both parties and would keep the process out of court. This approach has been found to work much better (Bratt and Vladeck 2014; Karki 2015) and similar provisions were subsequently

adopted in the adjacent states of Connecticut and Rhode Island (Cowan 2006). By December 2014, 250,863 affordable housing units had been created as a result of Chapter 40B, or around 9 % of the entire housing stock in Massachusetts (Department of Housing and Community Development 2014). The model has been extended to incorporate an incentive option as well, focussing on affordable housing inclusion as part of the densification process surrounding transit oriented development projects (Verrilli and Raitt, 2009).

New Jersey

New Jersey is a state that has long been at the forefront of the affordable housing debate, much of which has also been played out in the courts. Many of its communities had adopted exclusionary zoning provisions by the 1960s and 1970s. However, rather than communities using the courts to oppose affordable housing development, advocacy groups began to use the courts as the means to enforce constitutional provisions that were not being guaranteed through legislative action. For instance, in 1975, the National Association for Coloured People (NAACP) sued a community (Mount Laurel) that exercised blatantly exclusionary zoning ordinances in suburban New Jersey. The New Jersey Supreme Court ruled that under the state constitution, municipalities that used zoning had to provide a realistic opportunity for low- and moderate-income housing to be developed on a regional fair-share basis. It held that communities that are planning for development have the legal obligation to provide housing for their fair share of low- and moderate-income households. The fair-share concept was defined in relation to the percentage of low- and moderate income earners found in the regional population, that is, the region beyond the boundaries of the community.

The 'Mount Laurel' decision was a condemnation of exclusionary zoning practices. Unfortunately, the original decision failed to offer specific guidance on how to overcome these exclusionary practices. Not surprisingly, exclusionary communities did not take steps to remedy the problems, and the case was returned to court. The second time through

the legal system caused the court to impose affirmative planning systems that would make the fair-share concept a metric for planning. The court imposed density bonuses and mandatory set-asides of units for low-income occupancy. The court also endorsed what are known as 'builder's remedies' which are mechanisms whereby a developer is able to build units on different sites (not necessarily designated for housing) to meet the overall requirement of providing low- and moderate-income housing for the community (Calavita et al. 1997).

The New Jersey experience forced several exclusionary communities to address the issue of social and racial integration and has raised complex questions about the role of the judiciary in promoting social change (Calavita et al. 1997). Many of the suits filed by developers against suburban municipalities in New Jersey between 1983 and 1985 in the wake of the second Mount Laurel decision led to negotiated settlements. Many local governments placed pressure on the state legislature to modify the process. This resulted in the passage of the *New Jersey Fair Housing Act* of 1985. Under the act, the executive branch assumed responsibility for administration of the Mount Laurel fair-share doctrine. An administrative agency, the Council on Affordable Housing (COAH), was established with the responsibility of determining the fair-share obligations of all municipalities in the state and of creating a process of certification for municipalities that developed fair-share plans acceptable to COAH.

New Jersey made progress with the Mount Laurel decisions, but that progress has been slowed by unsupportive administrations which have not been willing to carry the fair-share concept forward (McCann 2006), as well as inconsistencies in the calculations of fair-share requirements (Calavita et al. 2010). In 2004 and again in 2008, the approach was modified, ultimately incorporating an inclusionary scheme requiring that each municipality needed to deliver one affordable housing unit for five market units constructed (offset by higher residential density entitlements) (Calavita et al. 2010). With the latest changes introduced during a market downturn, it is difficult to assess the outcomes of the current scheme, which remains controversial.

California

State requirements for local plan preparation can take many forms. California has gone the furthest of any state to direct its communities to provide for the development of affordable housing. Both California and New Jersey work from a fair-share concept, that is: each community must absorb its fair share of the burden of affordable housing (Cowan 2006).

It is not surprising that California would lead in this area. California is a very large state; its population is approximately one-eighth of the population of the entire nation and its pace of population growth consistently outpaces the pace of growth of the USA. California is also known as a state where exclusionary zoning is practised by many communities, choking off the supply of new developable land despite strong demand for additional housing (Glaeser et al. 2005). With the supply of land restricted, communities have created an ongoing shortage. With the ongoing growth in demand, the prices of homes in California have been bid up to some of the very highest prices in the USA. These high prices have made affordability problems commonplace; the incidence of households allocating more than 30 % of income to housing is higher than the US average.

By state law, Californian communities must have a housing element (a component or chapter) within its comprehensive plan. California's *General Plan Law* requires that all localities adopt a general plan containing various mandatory elements and that the municipality's zoning and subdivision ordinances be consistent with the general plan. The housing element must be certified by the state Department of Housing and Community Development, but broad discretion is given to the local government in preparing the housing element. The method by which the community provides for affordable housing is left to each community. To be certified, the element must make adequate provision for the existing and projected needs of all segments of the community, including those of low income. A 1980 amendment provided that each locality creates policies and programmes to enable it to meet its regional fair share of regional low-income housing needs.

However, the *Housing Element Law* did not require local governments to *build* affordable housing, requiring only that the housing elements

of local plans comply with state law rather than ensuring that sufficient housing was constructed (Fulton 1991). Even so, in the first five years of the state's required fair-share housing element procedure, over 2000 affordable units were built, another 2000 were under construction with over 7000 in planning stages (Calavita et al. 1997). It was estimated that between 1999 and 2006, a total of 29,281 affordable housing units were created through inclusionary programmes across at least 81 municipalities, primarily in the San Francisco Bay area, southern California and the Sacramento region (Calavita et al. 2010, p. 48). By 2014, an estimated 145 municipalities (around 25 % of the state) had inclusionary schemes in place (Wiener and Barton 2014).



Illustration 6.2 Residential apartments, San Francisco. *San Francisco, California, has a long-standing inclusionary zoning programme.* (Source: Nicole Gurran 2011)

The Californian approach continues to be shaped by state and local politics, with more conservative state administrations supporting communities who oppose development of affordable housing and more liberal administrations supporting the notion of fair-share development of affordable housing across all communities (Calavita et al. 1997; Calavita et al. 2010). As noted earlier, a wave of litigation against inclusionary schemes in California since 2006 (Wiener and Barton 2014) has led to the growing adoption of ‘impact fees’ as a means of securing affordable housing contributions during the development process.

Community Development Initiatives

Whilst the range of planning initiatives outlined earlier sought to ensure that affordable opportunities were included as part of new development in buoyant housing markets, other initiatives sought to counteract the problem of neighbourhood decline and disinvestment. One of the factors exacerbating the decline of inner city areas was the discriminatory practices of mortgage lenders who would frequently ‘redline’ particular areas. The *Home Mortgage Disclosure Act* of 1975 required lenders to report on lending by census tract, which began to highlight racial (and spatial) disparities in patterns of housing finance. In 1977, the *Community Reinvestment Act* (CRA) was passed, requiring depository institutions to provide lending and investment to the entire community it services, and enabling community organisations, advocacy groups, local governments and others to challenge lenders for inadequate service. Whilst these provisions were slow to take effect, it became prevalent for banks to enter into agreements with these groups to prevent litigation. Over time, these agreements, which could include financing for low- and moderate-income housing development and small businesses, became an important source of funding for renewal of inner city areas, and have made mortgages more accessible to lower-income and minority groups (Schwartz, 2015). However, in recent years the law has become less effective in helping disadvantaged communities gain mortgage finance, as federal regulations and changes in the lending industry has meant that fewer institutions are subject to the CRA.

Provision of Affordable Housing by the For-profit and Non-profit Housing Sector

The non-profit housing sector has been a key player in the delivery of state and local housing programmes in the US. Although there has been no systematic support for the sector, a proportion of federally funded housing programmes must be assigned to non-profit groups, whilst local housing trust funds are often used to finance affordable housing developments by non-profit organisations. The non-profit housing sector overall is responsible for around 1.5 million housing units for low- and moderate-income households (Bratt 2008), which is around a third of all housing subsidised by federal sources (Schwartz 2015). Other affordable housing developers include citywide and regional housing organisations, which cover a wide geographical area (such as Bridge Housing Company in San Francisco), and the Community Builders group (which operates across 14 states). Smaller non-profit housing providers typically address special needs.

Community Development Corporations (CDCs) are significant players in the non-profit housing sector. Many were formed in response to a lack of government intervention to address neighbourhood blight, including in some cases the demolition of affordable housing stock in the name of urban renewal (Schwartz 2015). They have played an important role in addressing neighbourhood level problems and undertake a range of housing development functions, primarily focussing around housing but also working with residents and others to improve neighbourhood quality. They operate across most of the USA (although are more concentrated in some regions than in others), and can range in size from a few staff members to several hundred (Krigman 2010). Since the 1960s, CDCs have acquired, renovated, or constructed over 1.6 million housing units, producing around 96,000 units a year between 2005 and 2008 (Krigman 2010, p. 295). The CDCs are eligible for the range of federal funding sources outlined earlier and also receive tax benefits, although dependence on multiple funding sources to finance housing development is an ongoing challenge for all affordable housing developers. Overall, CDCs in particular highlight the ways in which affordable housing development has been used as an important catalyst for neighbourhood improvement and local economic development. However, the dual goals of CDCs in

addressing both the social and economic needs of residents whilst also ensuring the financial viability of housing that they build and manage, can sometimes be contradictory (Schwartz 2015; Bratt 2008).

Conclusion: What Can Be Learned?

Early twentieth century American planning was characterised by concerns about public health, safety and disorder in inner city slums, as well as the protection of real estate values. By the first decade of the twentieth century, public sanitation and building safety concerns had been largely addressed, so planning became wedged between real estate and development interests on the one hand and the more conservative interests of “middle-income home-owning voters” on the other (Hall 1996, p. 40). The decision to favour (privately regulated) market provision of housing for low-income groups over public housing models, was emblematic of the growing separation between planned intervention for social outcomes versus private interests, described by Peter Hall as “a divorce in America between the infant arts of planned housing and planned cities” (1996, p. 39). Thus, early American planning became defined by the ‘City Beautiful’ movement which celebrated architecture and civic design, but lacked the explicit social objectives of the British ‘Garden City’ approach. Zoning—the main instrument of American planning—was “socially exclusionary in its purpose and its impact”, whilst the original regional plans (including the acclaimed New York Regional Plan of 1931) “were largely concerned with better housing for those that could afford to pay” (Hall, pp. 39–40).

Today, the housing affordability problem in the USA is largely one of too many households who have incomes too low to be able to make entry into many housing markets. So what is to be done about housing affordability? Building more units does not seem to be the answer; the USA already has more housing than it needs. Price controls are not the answer; the USA already has adequate counts of units reasonably priced. The challenge is to resolve the problems of the spatial distribution of affordably priced housing through the land development process, ensuring that all households can find affordably priced units in locations with access to good schools and gainful employment plus all of the other services that households need.

This push will not come from the federal government. Land use planning and housing development in the USA are highly decentralised. Generally, each city prepares its own plan and regulates its own development. Each city operates under a set of laws that come from the state where the city is located, with little control from the federal level. The state laws vary considerably in terms of the requirements that each community addresses the problems of affordable housing. Some states make no requirements that a city plan for affordable housing whilst other states require communities to prepare plans that provide for the development of affordable housing meeting the needs of low-income households who may not yet reside in the jurisdiction.

Overall, this review of changing intersections between planning and housing in the USA points to a number of potential lessons in comparison to the other countries reviewed in this book. Firstly, the case of the USA, like Ireland, suggests that an elastic housing supply response does not necessarily resolve affordability pressures for those on low and moderate incomes. Secondly, the US experience demonstrates the ways in which the planning system can be, and has been, used as an instrument for social exclusion. At the same time, a number of states and local jurisdictions in the USA also demonstrate the ways in which ‘inclusionary’ planning approaches can directly counteract deliberate forms of ‘exclusionary’ zoning, as well as the inadvertent affordability impacts arising from urban renewal and investment processes. In particular, and as discussed further in Chap. 11, inclusionary planning schemes are being used in parts of the USA as a mechanism for managing the potential displacement effects arising from new investment in public transport infrastructure (Hersey and Spotts 2015). Nevertheless, it is clear that inclusionary planning mechanisms, which remain largely dependent on local political will, as well as a buoyant private housing market, are insufficient to address the entrenched housing affordability problems affecting America’s low- and moderate-income renters and mortgaged burdened home buyers. A looming question in the USA is the impact of changing housing preferences and the increasing choice of ‘millennials’ to live in revitalising downtowns, and for some baby boomers to leave the suburbs as well (Nelson 2013). Ironically, future suburban resilience may be defined by the capacity to diversify housing types and land uses, retrofitting neighbourhoods for accessibility, walkability and social inclusion.

7

Planning Practice, Housing Oversupply and Ireland's Housing Boom and Bust

The economic boom which gripped Ireland from the mid-1990s to late 2000s, known colloquially as the 'Celtic Tiger', brought about a radical shift in the socio-economic profile of the nation. Ireland went from being a country distinguished in the 1980s by unemployment and outward migration (Norris and Shiels 2007; Kitchin et al. 2012), to one characterised by rapid economic and population growth. Between 1990 and 2001, unemployment decreased by almost 10 percentage points (to around 4 %) and Gross Domestic Product rose from being a third below the European Union (EU) average to 10 % above it (European Union 2002). The nation's population increased significantly, rising by almost a fifth in the period between 1986 and 2006 (Central Statistics Office, various years).

The economic boom was accompanied by galloping house price inflation. Between 1996 and their peak in 2006, Irish house prices increased by 292 % in nominal terms, with steep year-on-year increases, particularly between 1996 and 2000 (Department of Environment 2015). In common with many other developed countries, this development was driven by marked expansion in credit availability. However, as in Spain (Romero 2012), price inflation in Ireland was also accompanied by radical growth

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in new housebuilding, the spatial distribution of which did not match the distribution of population or economic growth.

As Norris and Coates (2014) explain, these developments generated serious socio-economic risks. The scale of the building boom meant that construction accounted for a very large proportion of employment and GDP. The scale of the house price and credit boom meant that government and the banking sector became heavily reliant on this source of revenue. Therefore, the property market crash of 2007 and a subsequent radical decline in housebuilding is now recognised as contributing to the depth of Ireland's economic collapse. This culminated in Ireland's entry to an International Monetary Fund (IMF) and the EU-funded adjustment programme in 2010 (Norris and Coates 2014). The housing market boom and subsequent collapse were accompanied by a national vacancy rate which far exceeded the north European average, reaching 16.7 % in 2006 (Fitzgerald 2005; Norris and Winston 2009). The effects of the bust were particularly strong in rural areas where housing oversupply was strongest. In these contexts, construction accounted for a particularly large proportion of jobs, so the collapse in construction jobs was particularly serious. The legacy of the building boom in rural Ireland was epitomised by the large number of unfinished, empty 'ghost estates', of which there were around 620 in the years immediately following the crash (Kitchin et al. 2010). But the total number of unfinished projects was around 3000 developments across the country, with 668 remaining unresolved by the end of 2015 (Housing Agency 2015).

While these dramatic events provide the main story, at the same time, the 2000s were a period of innovation and development in the way the planning system addressed housing. A new national spatial strategy was introduced, local authorities were encouraged to develop needs-based plans for social housing, and a specific mechanism was introduced in Part V of the *Planning Act 2000* to require the provision of affordable housing within general sites. While these innovations did not fully work out as expected at first and were overtaken by the dramatic market downturn after 2007, they can be seen as laying the foundations for the longer-term policy framework which is now emerging.

This chapter explores the ways in which Ireland's planning process enabled oversupply in rural areas, coupled with undersupply in the largest city of Dublin, by enabling extreme rural over-zoning and facilitating the dominance of local political voices at the expense of national

government policy (Norris and Shiels 2007; Kitchin et al. 2012; Walsh 2012; Counsell et al. 2014). It traces the ways in which the liberal planning regime of Ireland facilitated a very responsive housing market in the context of high demand for housing investment, but neglected fundamental considerations about underlying population growth, the environmental and heritage impacts of zoning decisions and of planning proposals, and the suitability of particular sites for housing development. The first section of this chapter outlines patterns of housing demand and supply in Ireland, focussing particularly on the boom and bust cycle between 1996 and 2006, but contextualising this period with reference to previous and subsequent periods. The analysis also highlights sharp variations in the geography of new housing supply. Secondly, the chapter sketches the main characteristics of the Irish planning system and recent changes to the system which may have facilitated the excessive supply response. The third section of this chapter examines these characteristics in greater detail along with other potential drivers of Ireland's unbalanced housing supply. Finally, we also consider developments in planning's role in the delivery of affordable and inclusionary housing.

Housing Demand and Supply in Ireland

Although there has been much focus on Ireland's housing boom during the Celtic Tiger years (1996–2006), in fact the Irish housing market had experienced similar levels of price inflation in terms of year on year price growth during the late 1970s, when annual increases of up to 20 % were recorded (amounting to around 300 % growth over the decade 1975–1985) (Fig. 7.1). However, what distinguished the latter boom from that of the 1970s was the scale of the supply response, as well as the depth of subsequent price falls (Fig. 7.2).

The dramatic difference between the two periods implies two questions. Firstly, why did supply become more elastic in Ireland during the mid-1990s, allowing new construction to respond to increasing demand? Secondly, why did the scale of the supply response during the Celtic Tiger years not moderate price growth more rapidly? To answer these questions, it is necessary to look firstly at the scale and geography of the supply response between 1996 and 2006, and secondly to the ways in which the planning

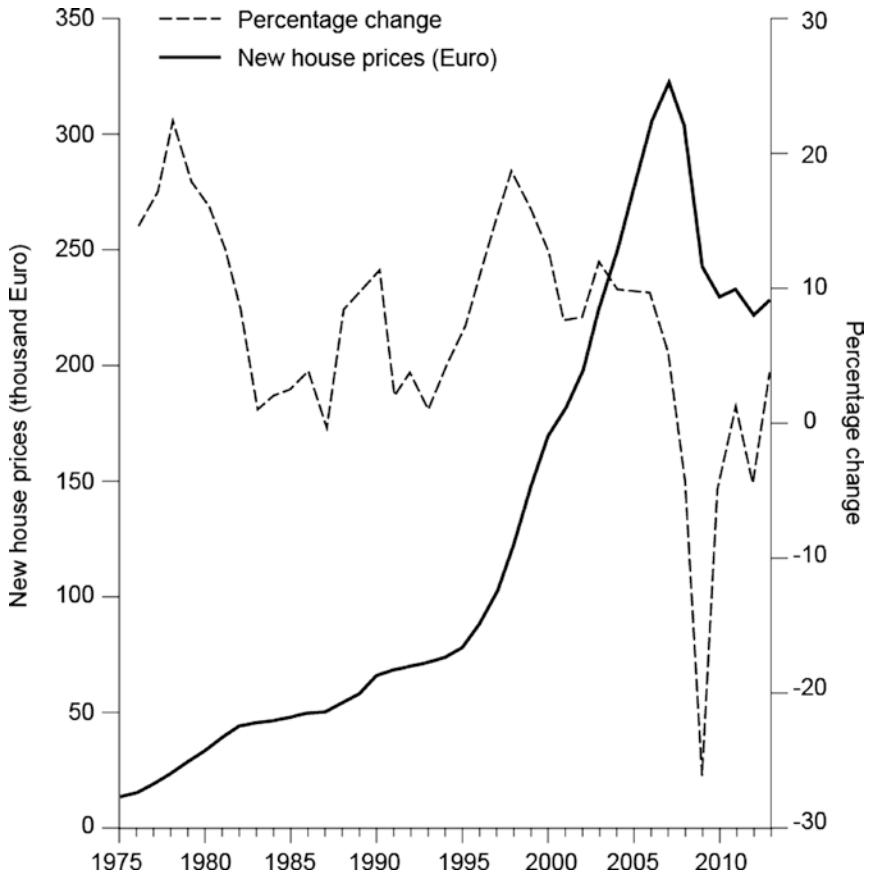


Fig. 7.1 Ireland’s year on year house price changes and nominal inflation (€) 1975–2013, new homes (Source: Data from Department of the Environment, Community and Local Government (Various Years))

system operated to liberate new construction in rural areas without regard to strategic policy settings or underlying (demographic) housing need.

The Celtic Tiger years saw housing output grow exponentially. New housebuilding increased from 33,725 units in 1996 to 93,419 in 2006 (Table 7.1). To place these figures in context, in 2006 the UK built 209,000 units for a population of 60 million, whereas the Irish output (nearly half of that delivered in the UK) served a population around one-tenth the size (4.6 million people) (European Mortgage Federation, various years).

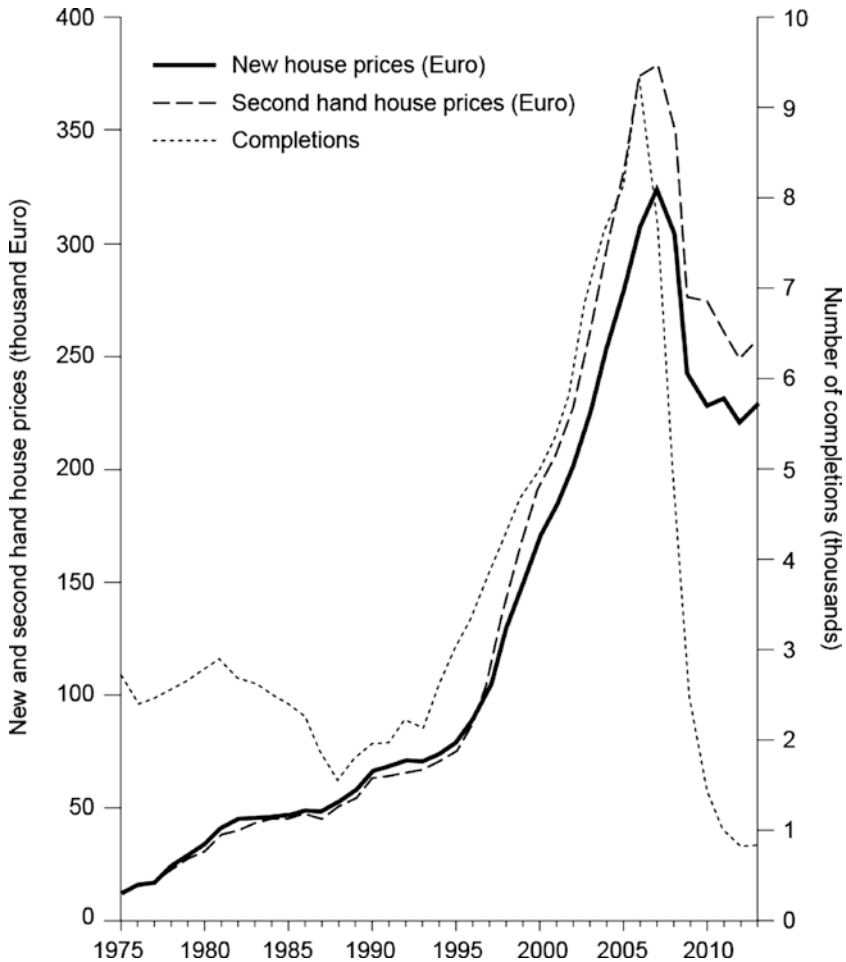


Fig. 7.2 Ireland, Annual house prices (Euro) and completions 1975–2013 (Source: Data from Department of the Environment, Community and Local Government (Various Years))

However, although Ireland's population growth was increasing at a rapid rate, the spatial distribution of housing output did not match this growth. Economic growth was heavily concentrated in cities, particularly the second and third biggest cities of Cork and Galway and

Table 7.1 Annual housing completions, Ireland, selected years 1996–2014

Region	1996	2006	2013	1996–2006 % change	2007–14 % change
Dublin	9,446	19,470	1,360	106	–82
Greater Dublin	4,222	10,517	990	149	–84
Other cities	2,878	3,557	515	24	–89
East	4,695	15,602	1,517	232	–87
South	6,571	21,907	2,033	233	–87
West	5,513	21,966	1,886	298	–88
(Conversions)	400	400	0	0	–100
TOTALS	33,725	93,419	8,301	177	–86

Source: Data from Department of the Environment, Community and Local Government (Various Years)

Ireland's capital and largest city, Dublin, and the surrounding region (greater Dublin area) (Norris and Shiels 2007). While annual housing completions did increase significantly in these urban areas between 1996 and 2006 (particularly Greater Dublin), output nearly tripled in the largely rural western region and grew by 233 % in the also rural southern region (Table 7.1).

Applications for planning for residential development show how the pipeline for new housing supply also continued to increase despite the growth in absolute completions (Fig. 7.3). Between 1996 and 2006, the number of successful planning applications increased by 83 % (Department of the Environment, Community and Local Government, various years). However, the pattern of dispersal for these units was also incompatible with geographies of demand. Applications rose by more outside Dublin than within the City. In terms of both volume and increase, the largest numbers were in the South and West & North regions. The increase in planning applications over this period was most pronounced in rural counties such as Cavan (201 %), Donegal (207 %), Longford (167 %) and Monaghan (160 %).

Therefore, one explanation for the failure of new supply to moderate price inflation in the Irish context lies in the mismatch between the economic/demographic growth and the location of new homes. But how and why did the planning system allow this mismatch to occur?

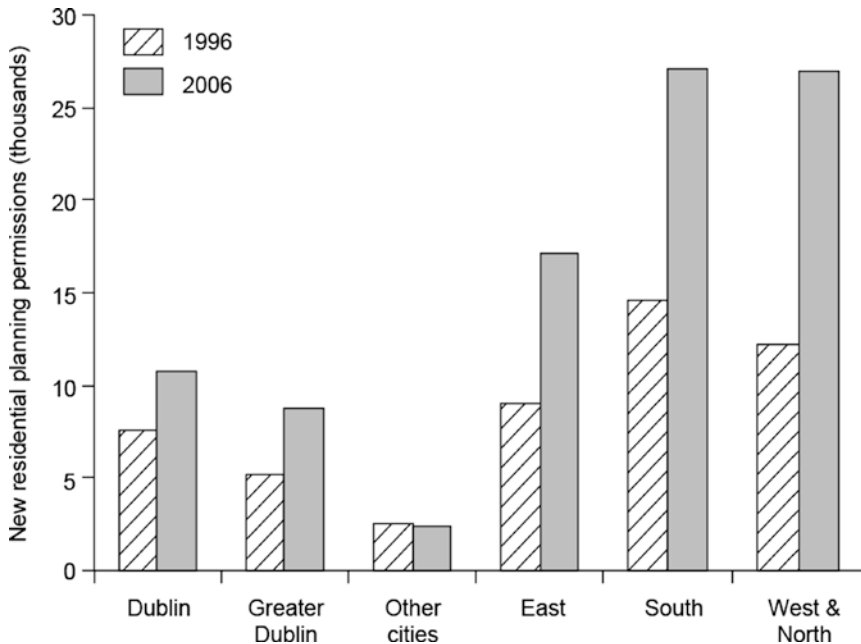


Fig. 7.3 Number of new residential planning permissions, 1996 and 2006, Irish regions (Source: Department of the Environment, Community and Local Government (various years))

The Irish Planning System: Origins and Recent Reforms

Ireland's planning system is defined by the *Local Government (Planning and Development) Act 1963*. While this legislation was closely modelled on the *UK Town and Country Planning Act 1947*, the implementation of this system in Ireland differed significantly from the UK model. Ireland's planning system has long been criticised for its lack of a regional level framework, its weak governance arrangements and its unusually laissez-faire application (McGrath 1998; Norris and Shiels 2007; Kitchin et al. 2012; Walsh 2012; Counsell et al. 2014). Yet the weaknesses are not immediately apparent on a superficial reading of Irish planning law and surrounding policy apparatus.

Like its UK counterpart, the 1963 *Planning Act* obliges Irish local authorities to specify their spatial development proposals in development plans of at least five years' duration (Bannon 1989). Plans for urban areas should designate land for residential, commercial, industrial, institutional and amenity use and make provision for necessary infrastructure such as roads. Adherence to the development plan is controlled by means of planning permissions. However, compared to the UK, the development planning process (allocation of land uses through zoning) has traditionally been much weaker in Ireland. Many rural local authorities did not regularly revise their development plans until the 1980s (Bannon 1989). In addition, the 1963 Act did not require development plans to estimate and make provision for meeting future housing needs, nor to specify the appropriate design and density of dwellings. According to Meehan (2003, pp. 65–66), most plans made only "... limited quantitative assessment of demand for housing", and specified "... maximum but relatively low [housing] densities (generally in the region of 6–10 per acre), but did not address the design/form of housing".

Further, the Irish planning system was characterised by a virtual absence of strategic regional or national planning, until recently. Although a national spatial plan was published in 1968, as were strategies for the Dublin and Eastern Regions in 1967 and 1985 respectively, the first two of these were implemented only in part and the third was not implemented at all (Bannon 1989). Apart from the establishment of an independent planning appeals body, *An Bord Pleanla*, in 1977, no significant changes were made to the planning system established by the 1963 Act until it was superseded by a new principal planning Act in 2000 (Meehan 2003). Further, Ireland's development control process (i.e. the system for scrutinising particular proposals against the criteria and standards contained in development plans), is generally regarded as weaker than its UK counterpart, although sharing its discretionary character.

However, in the early 2000s, a number of significant reforms to planning for residential development were introduced and the system was tightened up significantly compared to the past. Many of these changes were introduced through the new *Planning and Development Act 2000* which consolidated and reformed the preceding planning legislation.

While the new legislation did introduce new checks and balances to the planning system, it also contained a number of specific provisions to address growing concerns over housing affordability. These concerns were articulated by a series of reports prepared by consultancy company Bacon and Associates (1999–2000) and commissioned by the Minister for Housing and Urban Renewal. A key focus of these reports was on the need to increase housing supply in and around the Dublin area, particularly by increasing housing densities. The report also advised implementing arrangements to enable local authorities throughout the country to support affordable housing.

Consistent with these recommendations, Part V of the *Planning and Development Act* obliged local authorities to amend their development plans to incorporate housing strategies detailing how future local housing demand will be met. These strategies must estimate the need for social rented housing, and for 'affordable housing' which, in the Irish context, refers specifically to dwellings for sale at below market value to low-income households. To satisfy this social and affordable housing need, the provisions enabled local authorities to designate up to 20 % of the land zoned for residential development locally for affordable housing purposes, with property developers required to transfer the necessary proportion of dwellings, land or sites to local authorities as a condition of planning permission. Following a vociferous campaigning by the construction industry, the 2000 Act was amended in 2002 to allow developers to meet the requirements for provision of social and affordable housing by making a financial contribution or by providing dwellings or land in an alternative location. In addition, the stipulation that planning permissions granted prior to the 2000 Act would lapse if not used within a two-year period was rescinded by the 2002 legislation.

The latter provision significantly slowed down the impact of Part V as a significant number of the residential developments completed in the early 2000s were not subject to its provisions. But after a slow start, by 2006–2007, the mechanism was delivering around 3 % of the total housing completions (Fig. 7.4) and nearly 20 % of total social housing (Fig. 7.5); this included 3757 social rental units between 2002 and 2011, although the main contribution was in the production of

low-cost home ownership units (DKM 2012). Over the entire period 2002–2011, a total of 15,114 units were delivered (62.1 % affordable home ownership and 37.9 % social rental dwellings). This represented around 3.8 % of all dwellings delivered over the period 2002–2011. Notably, as part of the transfer of the social and affordable housing, local authorities were required to purchase the land component (but at unimproved values). The discounted land values were inherent to the low-cost home ownership scheme.

While Part V represented a clear attempt to introduce an inclusionary affordable housing strand within the Irish planning system, the slow take-up and limited overall achievement in addressing the most acute housing needs must be seen as disappointing to those who would advocate such an approach in principle. In particular, there is evidence that the measure did not enable supply of adequate numbers of social housing units (which have been in short supply since the economic crisis) and oversupply of affordable housing (which attracted no purchasers after the housing crash). Morley et al. (2015) echo studies by

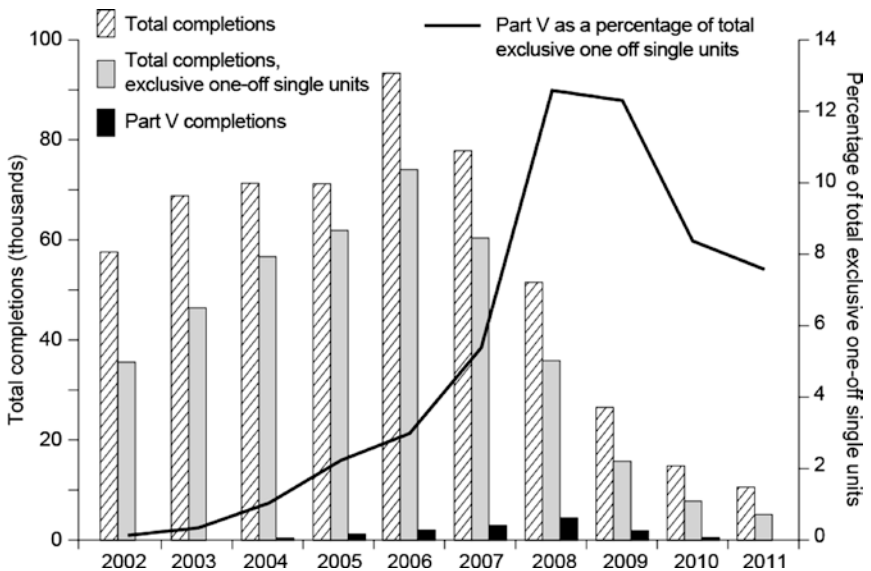


Fig. 7.4 Contribution to housing supply, dwellings delivered via Part V 2002–2011 (Source: Derived from DKM, p. 27)

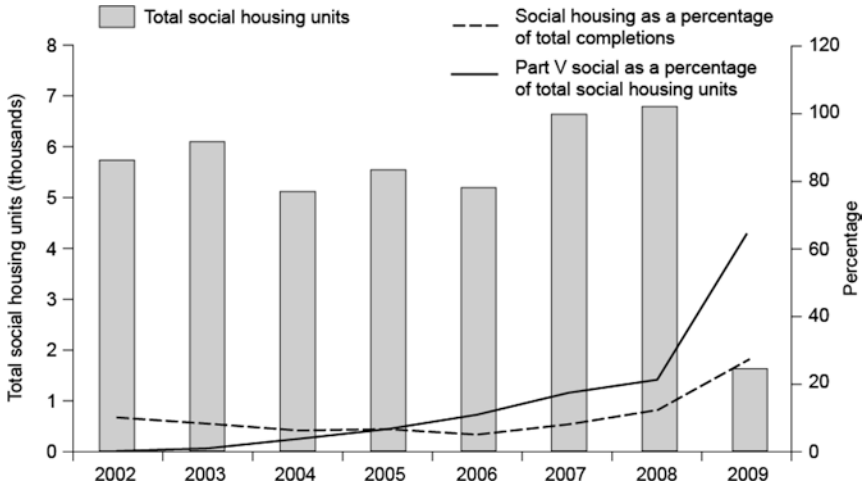


Fig. 7.5 Delivery of social housing units via Part V, as a proportion of total social housing units 2002–2009 (Source: Derived from DKM 2012, p. 42)

DKM (2012), Spotlight (2014) and SCSi (2015) in underlining the relatively ineffective performance of Part V, but these arguments are in perspective claims that it had become a major barrier to expanding housing output post-crisis. Other issues relating to infrastructure financing, in particular, are seen as more important. It is also worth making the point that, from the UK experience, it may take longer than a decade to get such a system working at a high level of effectiveness, and Part V had only about 6–7 years before it was swamped by the recession.

The 2000 Act also extended Strategic Development Zones (SDZs) which enabled ‘fast track’ provision of critical infrastructure such as power stations, which might otherwise have been held up in the traditional planning process by local opposition, to include housing developments. This was an important mechanism which had the potential to rectify the geographic imbalance between housing demand and supply. Three housing SDZs were designated in 2000 – two in Dublin and one in the Greater Dublin Area. However, during the boom period, these projects were slow to take off, with Adamstown in West Dublin the only project to commence within four years of its announcement, due to the length of time required to plan and provide the key amenities required before housing

development of the strategic scale envisaged could occur. This task has always been challenging in Ireland (as in many other nations) because responsibility for the provision of main roads, railways and schools lies, not with local authorities, but with a plethora of other agencies (Williams et al. 2002).

In addition, a number of other measures were introduced to increase housing supply in response to the housing market analyses commissioned from Bacon and Associates (1998, 1999, 2000). For instance, funding for the Serviced Land Initiative, which finances the water, sewerage and road infrastructure necessary to release land for residential development, was more than doubled to €47.8m per annum, 38 % of which was reserved for Dublin (Department of the Environment and Local Government 1998). The Housing Ministry also published new Residential Density Guidelines for Planning Authorities, which recommended the doubling of densities in suburban areas (Department of the Environment and Local Government 1999). AnBord Pleanála employed additional staff in order to process planning appeals more swiftly and planning schools were allowed to increase their student numbers, leading to a significant growth in graduate output (Department of the Environment and Local Government 2001). Bacon and Associates' 1999 report also recommended that a national spatial development strategy be formulated to balance the distribution of population and economic activity across the country, and to divert housing demand away from Dublin. A National Spatial Strategy was subsequently published, covering the period 2002–2020 (Department of the Environment and Local Government 2002). It aimed to achieve balanced regional development by designating a number of cities and towns as 'gateways' (engines of regional and national growth), towards which investment infrastructure, services and amenities should be directed.

Planning System Drivers of Supply Imbalance

Despite the existence of the National Spatial Strategy, in practice, a number of other factors combined to undermine the implementation of strategic planning objectives. Further, while the planning system reforms had

effectively freed up residential production to respond to the tremendous increase in housing demand, these same settings left the nation vulnerable to the rapid reversal of demand when economic circumstances turned. The following sections examine the ways in which particular planning system factors contributed to the overhang of supply and the mismatch between demographically driven housing need and the geography of new homes.

Firstly, Norris and Shiels (2007) contend that the reforms to the planning system introduced under the *Planning and Development Act 2000* (in response to the reports commissioned from Bacon and Associates (1998, 1999, 2000) as outlined earlier) addressed many of the causes of sluggish housing production during the 1990s. Following the passage of the Act, barriers to medium density housing development were reduced. Finance for land development became easier to access and planning agencies had greater capacity to undertake strategic planning and development control functions, with increased numbers of planning professionals on staff.

It was also envisaged that the 2000 legislation coupled with the *National Spatial Strategy* would lead to greater national and regional-level coordination. Yet these reforms proved ineffective in ensuring that the spatial distribution of new housing development reflected population and economic growth (Kitchin et al. 2012; Walsh 2012; Counsell et al. 2014). This was due to shortcomings in the design and in the implementation of these measures. One of the important reforms introduced in the new legislation was provision for 'Gateways' designed to facilitate economic growth in key regional locations, in part, through the use of expedited planning provisions. However, by 2005 concerns were being aired about the Gateway model and its potential to foster successful regional alternatives to Dublin. Scott (2005, p. 9) argued that "... the number of gateways designated (eight in total) may prove too many in a small economy to effectively develop clusters of economic growth.... needed to counter-balance the dominance of ... Dublin".

Another problem was that the *National Spatial Strategy* was not given a legislative basis. Rather, its implementation was to be achieved by means of regional planning guidelines prepared by eight regional authorities, with the local authorities responsible for sub-regional planning legally obliged to 'have regard' to these regional guidelines but not bound to

adhere to them. Lack of statutory authority to underpin regional spatial plans is not unusual and in many jurisdictions explains implementation gaps between spatial strategies and actual patterns of development (Tewdwr-Jones and McNeil 2000). For the greater Dublin area, guidelines (to execute the *National Spatial Strategy*) were published in 1999 (Brady Shipman Martin et al. 1999). However, these guidelines were largely ignored in the development plans published by local authorities in the greater Dublin area, which continued to rezone land for housing far in excess of the guidelines' recommendation. This acted to draw development out of the City into the surrounding counties. Although there was a legal challenge to one of these development plans (which proposed to rezone land and permit housing development in an area not meeting the criteria of the spatial strategy as articulated in the regional guidelines) this was unsuccessful. The determining consideration was the non-statutory basis of the guidelines. Local authorities must 'have regard to' these guidelines but are not obliged to refuse non-complying proposals in the event of an inconsistency (Simons 2003).

Similarly, excessive zoning of land for development was also evident in some parts of the countryside during the boom years (Department of the Environment, Heritage and Local Government 2009; Kitchin et al. 2012). Figure 7.6 shows the greenfield land capacity of local areas throughout Ireland. As highlighted, the exuberant approach to zoning for housing development resulted in abundant land supply—with most parts of Ireland buffered by sufficient developable land to accommodate at least 30 years' demand for new homes (assuming a buoyant population growth of over 2 % pa and household size of 2–2.6 persons) to enable significant levels of growth, which far exceeded actual trajectories. A number of rural counties (Cavan, Roscommon and Monaghan) had land zoned for new dwellings in excess of 50 % of their total current housing stock. Yet population in these counties did not increase in line with such trends (rising 13.2 %, 9.3 % and 6.5 % respectively between 2001 and 2006) nor would it continue to do so (it grew by 14.3 %, 9.0 % and 8.0 % in the respective areas between 2006 and 2011) (Central Statistics Office, various years).

The location of these extensive land reserves in greenfield settings (often beyond areas of economic and population growth, remote from

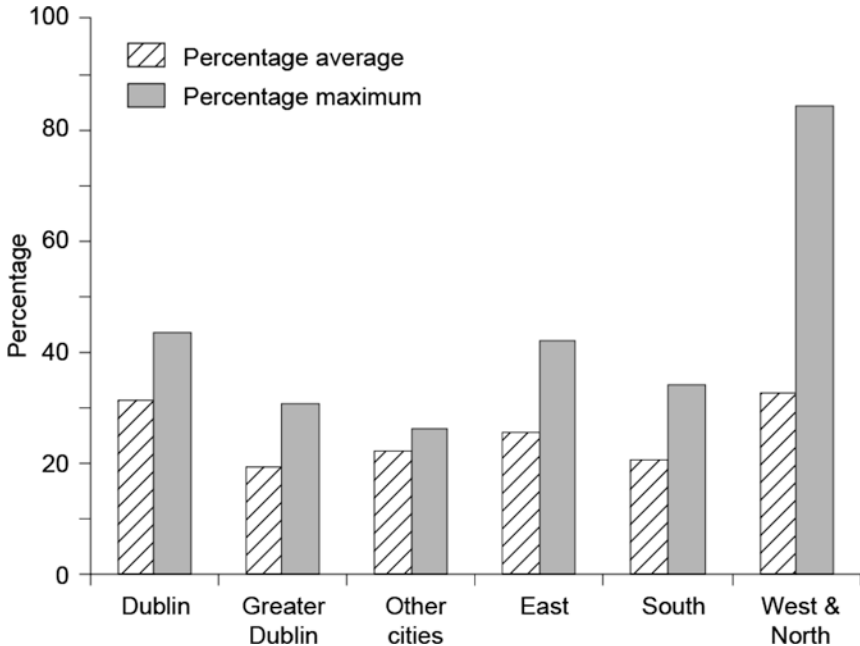


Fig. 7.6 Ireland's permitted site capacity as a proportion of existing housing stock, average and county maximum by region (2008) (Source: Derived from An Taisce 2012)

transportation and services, and/or on sites afflicted by serious natural hazards, such as major flood risk) (An Taisce 2012), further served to undermine the nation's strategic planning goals. Indeed, it was more likely the case that in many settings, housing development itself was perceived to be a strategy for stimulating rural economies and promoting population growth (Gkartzios and Norris 2011), as discussed further below.

More broadly, a number of commentators have argued that the extremely permissive approach to housing development on green field sites discouraged development in urban areas, thus also working to undermine the principles of the *National Spatial Strategy*. This tendency towards greenfield rather than 'brownfield' (including infill) sites reflected a number of political and pragmatic considerations. For instance, a larger range of criteria must be taken into account when assessing development proposals within existing urban settings.

In particular, the need to consider impacts on adjoining neighbours, traffic, heritage and infrastructure capacity imply more extensive assessment and consultation with those potentially impacted by the proposal. Site assembly is often required in urban areas, together with land decontamination in some cases and higher-density developments are more expensive to construct.

In the Irish context, all of these factors rendered inner city development less attractive and more risky from the perspective of developers, whose existing business model and capacity was far more attuned to greenfield contexts. Combined with a planning framework which in practice seemed to facilitate housing development on greenfield sites, the emphasis on development in greenfield and rural settings, despite the clear demand and policy preference for housing in existing urban areas, was perhaps inevitable (Norris and Shiels 2007).

Further, when faced with proposals for housing development, rural counties tended to be far more flexible than their urban counterparts, and seemed prepared to approve projects of marginal merit. Figure 7.7 shows much lower rates of planning refusal in rural counties than in inner Dublin, particularly in the mid-1990s.

As shown in Fig. 7.7, refusals were particularly rare in the South and West/North in 1996 (around 5 %); only 2.6 % of total applications in both Carlow and Clare were refused in 1996, compared with a Dublin average the same year of 14.7 %. Mayo's refusal rate in 2001 was 8.9 % while in Dublin it was 19.1 % and in 2006, more than a fifth (20.1 %) of planning applications were refused in the Dublin area, compared with just 8.5 % in Sligo. Refusal rates did rise somewhat in 2001 and 2006, in all areas, perhaps as a reaction to the boom conditions. Of course, refusal rates reflect a combination of local policy settings and market characteristics, and in more complex, higher-value markets it would be expected that a higher rate of proposals would fail to comply with prevailing controls (because the windfall to developers who secure permission for a non-complying project is far higher). Nevertheless, analysis of planning approval patterns in Ireland over the period suggests a distinctly political explanation for these trends, with development most politically contentious in Dublin. Under the Irish planning system, elected members of local authorities (city and county councillors) have the power

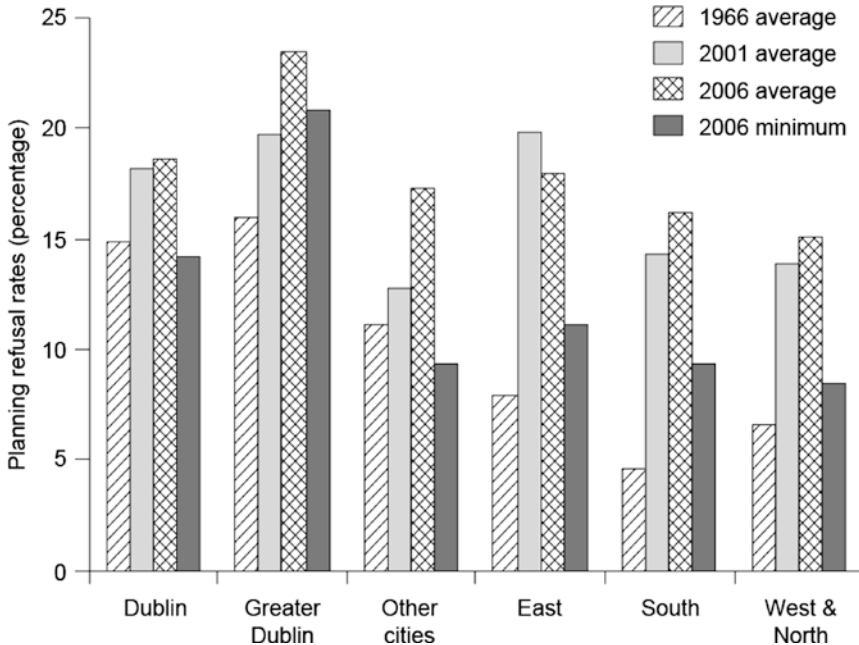


Fig. 7.7 Average and county minimum planning refusal rates by Region, 1996–2006 (Source: Derived from An Taisce 2012)

to overturn the decisions of the authority's professional planners if they wish. Table 6.2 shows that there was a distinctly spatial pattern to political decision-making, with local councillors in the greater Dublin area (e.g. County Kildare (396)) and in rural areas such as Roscommon (311) or Westmeath (367) most likely to overturn professional recommendations, in favour of a proposed development. Areas such as Louth (119 in 2010), Tipperary South (201 in 2004) and Wexford (98 in 2005) also had high rates of overturning of professional planners' decisions, whereas this phenomenon was much less common in cities. Just ten decisions of this type were overturned in Dun-Laoghaire-Rathdown and five in South Dublin over the nine-year time span. In the case of regional and rural Ireland, housing development was welcomed by local politicians, despite the advice of professional planners. To understand the political factors influencing the pro-growth stance in rural Ireland, it is necessary to look beyond the planning system.

Other Policy Drivers of Supply Imbalances

In addition to the planning system factors outlined earlier, including reforms to planning legislation which facilitated housing development, the lack of a statutory basis for the *National Spatial Strategy*, and the capacity for local politicians to overrule professional determinations, a number of other policy settings, in addition to political culture factors, contributed to the spatial mismatch between housing output and population growth in rural Ireland.

Inconsistent Government Policy and Financial Incentives

In some cases, the *National Spatial Strategy* was undermined by the national government itself. For instance, in 2003, a programme to decentralise 10,300 civil service posts to 53 locations outside Dublin was announced by the finance minister. Although ‘balanced regional development’ was a stated rationale for the programme, in fact only a tiny number of the towns earmarked for receipt of ministries and government agencies were identified as priority areas for development under the *National Spatial Strategy* (Meredith and van Egeraat 2013, p. 4). Although the decentralisation programme was only partially implemented prior to its abandonment, it was instrumental in funnelling development away from urban centres.

A more significant policy contributor to the spatial mismatch between housing development and population growth was the system of tax incentives for housing development and refurbishment in selected declining neighbourhoods. Popularly known as ‘Section 23’ incentives, these were introduced in the mid-1980s and applied initially to inner cities. However, the incentives were gradually being extended to include the city suburbs, large towns and finally villages and rural areas. Research suggests that the incentives were successful in their early years, drawing development and higher-income residents into declining inner city neighbourhoods which had hitherto proved very difficult to regenerate (Norris, Gkartzios and Coates 2014). However, the decision to extend

their lifespan and geographical focus was problematic. During Ireland's economic boom the incentives were less successful in achieving their aims and became associated with deadweight and excess housing supply particularly in rural areas.

Socio-economic and Political Drivers

The preceding discussion has identified the weak design and implementation of the land use planning system and perverse incentives generated by other policy measures as key proximate causes of the spatial mismatch between housing output and population growth during Ireland's economic boom. However, the ultimate causes of these imbalances are structural rather than policy related—at both local and central levels of government, there were strong reasons for sustaining high housing output, even despite mounting signals that the new supply was failing to address demand where it was most needed.

A key structural driver relates to the funding model for local government. Although Irish local government relies heavily on central government subsidies for funding, there is also evidence that the potential for generating additional revenue also encouraged Irish city and county councils to facilitate construction, and this incentive was particularly strong outside cities. Between 2000 and 2005 Irish local government charges to builders and developers for the costs of providing the infrastructure required for construction (called development levies) rose from €0.11bn to €0.55bn. Although councils were legally obliged to spend this revenue on land servicing during the housing boom (and indeed needed to in order to meet development requirements), these charges became an increasingly important part of the sector's revenue. By 2005, development levies represented 13.6 % of Irish local government's financial resources (Kitchen et al. 2010). However, there were strong regional differences in the extent of dependence on development levies.

Development levies accounted for only a small proportion of total income/expenditure by the five city councils which managed large urban areas in 2007 (between 7.7 and 12.2 %) By contrast, they accounted for over 20 % of the income of a number of county councils responsible for

largely rural areas (e.g. Laois, Kilkenny and Wexford), in this case those closer to Greater Dublin. Local taxes (called rates) are another important source of revenue for Irish councils; however, since the 1970s these taxes only applied to commercial uses. Rates are one of the few income sources which councils can spend as they wish, without central government restrictions; therefore, this source of income is particularly attractive from the perspective of local government politicians and managers. City councils would traditionally have enjoyed large amounts of revenue from business rates. Similarly, their rural counterparts had an incentive to grant planning permissions for commercial developments in order to access this revenue. Thus, the prospect of increasing the rate base by approving commercial projects also incentivised councils to grant permission for projects of dubious viability and in inappropriate locations, although not specifically for housing (An Taisce 2012).

At the national scale, housing investment became a dominant feature of the Irish economy during the boom years, accounting for a growing proportion of GDP and household wealth and debt (Table 7.2). Employment in construction related activities nearly doubled between 1996 and 2006, reaching nearly 13 % of all employment in 2006, with new housing construction as a proportion of the existing dwelling stock, rising from 3 % to an extraordinary 5 %, before dropping to a negligible 0.4 % by 2012.

All of these factors combined to exert extreme political pressure on the Irish planning system to facilitate and sustain high levels of new housing supply.

Williams, et al. (2002) argue that, in urban areas, political lobbying usually restricts housing supply (as the wishes of existing residents are the key political consideration), while in peripheral areas (where landowners are more influential) it often facilitates the zoning of land for development. Where planning systems are dominated by local political systems of decision-making, these factors come to be a defining characteristic of development patterns. Indeed, a large number of commentators have emphasised the influence of Ireland's very strongly localist political culture. In this, vein Kitchin et al. (2012) suggest that the Irish planning system prior to and following the reforms through the 2000 *Planning and Development Act*, endowed local politicians with significant power over local planning decisions, while establishing weak arrangements for

Table 7.2 Irish housing market, 1996–2012—key indicators

	1996	1998	2000	2002	2004	2006	2008	2010	2012
Construction employment % of all employment	7.6	8.6	9.6	10	10.9	12.7	11.3	6.5	5.6
GDP (€m)	57,649	77,670	102,845	130,717	150,025	177,574	180,250	158,097	163,939
GDP derived from construction (%)	5.3	5.7	6.4	6.3	7.6	9.4	6.1	1.6	1.6
Outstanding residential loans to GDP ratio	24.1	26.9	31.6	36.1	51.7	69.8	82.6	65.2	59.5
Owner occupation rate (%)	n/a	n/a	n/a	n/a	81.8	78	77.3	73.3	69.6
Real gross fixed investment in housing (% change year on year)	n/a	n/a	n/a	3.7	10.8	3.8	-16	-32.9	-19.5

Source: European Mortgage Federation (various years) and Eurostat (various years)
 Note: * data refer to 18+ population only

the national coordination of local plans (see also Counsell et al. 2014). Consistent with this view, an exhaustive national tribunal of enquiry into the Irish planning system (An Taisce 2012) found that ostensibly irrational decisions appeared to be inspired by clientelism and corruption (Counsell et al. 2014). There is also evidence that the particularly strong economic reliance on construction employment in rural areas facilitated the emergence of ‘growth coalitions’ which lobbied for excessive housing development (Gkartzios and Norris 2011). The tendency for local landowners, business groups and political representatives to lobby for and welcome growth in economically marginal or depressed regions is hardly unique to Ireland, and has also been identified as a factor in the Spanish housing boom and bust (Romero, Jimenez et al. 2012, Fernandez-Tabales and Cruz 2013). In Ireland, as in particular parts of Spain, rather than following and enabling economic growth, housing development itself became a huge sector of the national economy during the boom years. In rural locations, the pressure to sustain this ‘industry’, was understandably intense (Norris and Byrne 2015).

When contrasting this picture of the local operation of planning in Ireland with experience in the UK, it is perhaps less surprising that Part V mechanisms for affordable housing had relatively limited impact in the 2000s. When local politicians seem hell-bent on permitting any privately promoted housing scheme, it would seem unlikely that they would worry much about niceties like affordable housing components within them.

At the higher spatial level, there is also evidence that political factors undermined efforts at regional planning. Garvin (2004) describes how the implementation of Ireland’s only previous attempt at national spatial planning in 1968 (by Colin Buchanan and Partners), was scuppered by the overwhelming localism of Irish politics, which renders positive discrimination in favour of one locality over another practically impossible. Scott (2005) argues that similar political considerations were behind the selection of the large number of gateways and hubs which were prioritised for development in the *National Spatial Strategy*. While Meredith and van Egeraat (2013, p. 4) argue that localism also undermined the implementation of this strategy:

“Key policy and political stakeholders rejected the concept of gateways and hubs as urban-centric and detrimental to the development of rural areas. In

this instance the concept of rural development was largely limited to enabling residential housing construction in rural areas rather than a broader conceptualisation encompassing social or economic dimensions. It is fair to state that the critical reception the strategy received conditioned the (un)willingness of policymakers to support or implement it.” (Meredith and van Egeraat 2013, p. 4)

Irish households began to suffer the effects of the housing binge even before the economic shock which precipitated its collapse. As shown in Table 6.3, rates of owner occupation began to fall from 2004 on, and then as a consequence of the market collapse—tumbling 11 % between 2004–2012 (from 81.8 % to 69.6 %).

While one of the positive factors to have emerged in this period was improved affordability for those in employment, overall, the situation at the bottom of the market worsened significantly (DKM 2012). In the three years following the collapse, social housing waiting lists grew by 75 %, while the deterioration in public finance has made it even more difficult to deliver social housing supply in response to this growing need (DKM 2012). Housing vacancy rates rose dramatically, compounded by the phenomenon of unfinished housing estates, which numbered around 3000 projects situated across the country. By the end of 2015, the number of unfinished housing developments had fallen to 668, of which 2542 dwellings were complete and vacant, 8105 units were in various stages of completion and 18,376 units had not been started (Housing Agency 2015, p. 9).

New policy interventions were introduced to manage the ways in which land rezonings occur in future, reducing the potential for speculative gain while enabling a significant mechanism for value capture via a land rezoning tax introduced in 2009. The tax provided for the capture of 80 % of the value of land inflation following a new rezoning, payable on the first transaction (DKM 2012), and in a large part was designed to prevent another speculative property bubble. In the context of extensive supplies of zoned land, and limited development activity or demand, it was anticipated that the impact of the measure would be limited in its initial operation. However, the tax was rescinded in its entirety in the 2015 budget, in the context of anxiety over its impact as a deterrent to land development. This illustrates the wider theme which can certainly be observed in



Illustration 7.1 Abandoned house, Ireland. *Many housing projects were abandoned in Ireland's rural areas in the wake of the GFC.* (Image credit: Nicole Gurrán 2012)

relation to the historical evolution of betterment taxing approaches in the UK and similar debates about value capture arrangements in the USA and Australia. Namely, that although there are strong arguments in principle for land betterment taxing, even at a quite high level, in reality betterment taxing has been vulnerable to political and economic swings, failing to gain longer-term acceptance necessary to embed the practice. As discussed in Chap. 4, the long-standing section 106 mechanism for affordable housing contributions used in England has arguably been much more resilient because it has not been viewed as a high-profile national level tax.

The provisions of Part V of the *Planning and Development Act* were retained following the 2012 review, although in 2014 it was announced that the 20 % contribution requirement would be halved to 10 % but



Illustration 7.2 Unfinished housing estate, Ireland 2012.
(Image credit: Nicole Gurran 2012)

these dwellings would be employed to provide social housing only and the provision of affordable housing for sale would be ended. These reforms were intended to boost overall development activity. At the same time, the government announced the introduction of a 'use it or lose it' levy of 3 % to apply to vacant sites in priority development areas. The reforms also introduced a new power for planning authorities to reduce the duration of planning permission applying to a project, if commencement progress is out of step with the proposed development schedule (Department of Environment, Community and Local Government 2014).

In reaching any assessment of the contribution of planning weaknesses to the Irish 'boom-bust' experience over the last two decades, it is important

also to acknowledge other factors which conspired to drive the boom to such an exceptional extent in Ireland. These factors include both the so-called market fundamentals and aspects of speculative excess (McQuinn 2015). Amongst the former factors were the genuine and exceptional extent of real economic growth under the Celtic Tiger phenomenon from the early/mid-1990s, particularly as reflected in high levels of in-migration/population growth, substantial rises in real incomes and sustained falls in unemployment rates. The fact that this growth was and continues to be concentrated on Dublin and a very few other cities also contributed to the house price escalation, because supply within the core conurbation area was relatively more restricted, so creating a leading region as a house price hotspot, analogous to London's role in the UK. Other significant fundamentals included the effect of joining the European Union, which led to interest rates falling to historically low levels in Ireland, so encouraging a massive increase in the demand for credit at much higher than traditional norms in terms of loan-to-income ratio. At the same time, it is clear from the work of McQuinn (2015) and others that Irish house prices lost touch with fundamentals and went significantly higher in a true speculative 'bubble' phase in the mid-2000s, and that they are now scarcely emerging from a prolonged period of 'hangover' when prices have been below fundamental levels, hampering the operation of the market because of negative equity, excess vacancies and damaged expectations. This speculative bubble was clearly driven by two other factors: extremely lax lending by banks, who had access to large international flows of funds, and were subject to wholly inadequate prudential regulation by the Central Bank of Ireland; and by media hyping of housing property as a surefire investment (Mercille 2013). Indeed, a report commissioned by the Central Bank of Ireland to understand the factors leading up to the Irish banking crisis, concluded that:

“[...]There is prima facie evidence of a comprehensive failure of bank management and direction to maintain safe and sound banking practices, instead incurring huge external liabilities in order to support a credit-fuelled property market and construction frenzy [...] macroeconomic and budgetary policies contributed significantly to the economic overheating, relying to a clearly unsustainable extent on the construction sector and other transient sources for Government revenue (and encouraging the

property boom via various incentives geared at the construction sector). This helped create a climate of public opinion which was led to believe that the party could last forever.” (Honohan et al. 2010, pp. 15–16)

The report goes on to describe “corrective regulatory intervention for the system” as ‘delayed and timid’, in “an environment which placed undue emphasis on fears of upsetting the competitive position of domestic banks and on encouraging the Irish financial services industry even at the expense of prudential considerations” (ibid).

The exceptional and ultimately speculative boom in house prices fed the exceptional and also speculative boom in housebuilding output. The kind of lax and even reckless planning approach, especially in rural and peripheral regions, was certainly an enabling factor for this very big increase in supply, but it has to be recognised that what was happening on the demand side was complementary in delivering a ‘perfect storm’ of oversupply. For example, builders would have found it very easy to find credit for new housing schemes, however speculative, in this climate, where the belief in ongoing strongly rising house prices became so entrenched. Amateur housebuilders and landowners would have been strongly tempted to enter the market in this climate of price levels, trends and expectations.

Conclusion

Ireland experienced an exceptional episode of boom and bust in its housing market over the last two decades, which was (unlike some other and earlier episodes) exemplified as much in the level of new housebuilding activity as in the behaviour of house prices. Spain is the most similar other case, not covered in detail in this volume. This chapter has argued that, in a number of respects, aspects of Ireland’s planning system played a large part in this story.

A lack of regional strategy and the dominance of local political voices contributed heavily to a planning system which, during the boom years of Ireland’s economy, facilitated mass oversupply in rural counties (Norris and Shiels 2007; Kitchin et al. 2010). Over the period between 1996 and 2006, the percentage increase in planning applications was significantly

higher in rural areas and these counties tended to experience lower refusal rates proportionally. The number of decisions which differed from recommendations of the planning authority was also greater in rural and border counties, some of whom took in greater revenue in development contributions than their counterparts in Dublin, despite greater population densities in the latter. Perhaps the starkest flaw with the planning process was the excessive zoning which took place in rural areas and far surpassed actual population growth.

Not only were planning structures allowed to be undermined by local political interests, but there is also evidence to suggest that they facilitated dominant economic ideals during the Celtic Tiger period. Counsell et al.'s (2014) assertion that, in 2008, Ireland had 42,000 ha zoned for residential development leads them and others (An Taisce 2012; Kitchin et al. 2012) to the conclusion that the planning process contributed significantly to the financial crisis, as the large-scale zoning of (mostly) greenfield sites substantially increased land values. This made the newly rezoned land an apparently viable asset against which loans could be granted, thus escalating the cycle of property speculation and exposure to risk. In assessing why these faults in the system were not dealt with in a timely fashion, Counsell et al. (2014) highlight the 'implementation gap' between national and local policies, which once again was the result of a locally dominant democratic planning model whereby the national government was reluctant to intervene in local decisions (Walsh 2012).

Of course, the role of the planning system in relation to Ireland's housing boom and bust is equalled and perhaps outweighed by the dramatic demand side pressures arising from deregulation in the financial system and the processes leading up to the nation's mortgage and banking crisis (Waldron 2014).

In terms of understanding relationships between planning and the housing market, two important lessons can be drawn from the Irish experience as outlined in this chapter. Firstly, while housing supply responded to price inflation, increased supply—of land or dwellings—did not appear to moderate prices. When property prices fell and the scale of oversupply was revealed, the trigger for collapse was an external economic shock rather than an internal process of market adjustment to realign demand and supply. This, combined with the Spanish and North American expe-

rience as documented elsewhere, suggests that housing markets cannot build their way out of a bubble, and indeed that more responsive markets (in booms) are also more vulnerable to sudden bust with wider real economic impacts (OECD 2011; Sánchez Caldera 2011). An unresolved question in the Irish case is whether the liberalised planning system exacerbated these risks. The second point to note is that, although lower- and moderate-income groups experienced greatest affordability pressure during the period of price inflation, these pressures were not resolved by the market collapse. Recent home buyers faced high housing debt (often exceeding the value of their home) just at the point when incomes were contracting and employment increasingly precarious. The rapid fall in rates of owner occupation points to the significant social costs of the Irish housing bubble.

Finally, Ireland exemplifies a case where significant attempts were made to introduce an 'inclusionary' element within the planning system to promote more affordable and social housing supply in mixed communities, particularly through Part V of the 2000 planning legislation. However, the achievements of this new approach were relatively modest before being compromised by the market crash and subsequent slump in housebuilding activity, and it cannot yet be seen as thoroughly embedded in local practice across Ireland.

8

Planning and Housing Supply in Hong Kong and China

Any attempt at appreciating contemporary experience of urban development and housing must certainly encompass the Asian experience, and particularly that of East Asia, where the processes of economic development and urbanisation have been most impressive in recent decades. Whilst Japan was the first case to emerge and mainland China is increasingly emerging as the dominant case, in some ways the experience of the four smaller ‘tiger’ or ‘dragon’ economies which emerged into prominence in the last quarter of the twentieth century—Hong Kong, Singapore, Taiwan and Korea—is particularly interesting (Lee 2003; Chiu 2008). In addition to displaying spectacular success in developing internationally competitive economies with rapid growth rates, these countries manage to attain a high level and intensity of urbanisation and to absorb substantial immigration whilst promoting good and widely shared standards of housing. When mainland China began to adopt a more market-oriented and outward-looking economy from the 1980s, it looked particularly to these neighbouring mini-states for ideas, models and direct investment, particularly in the special economic zones (SEZs) created in coastal regions. Such learning from neighbours reflected not just geographical proximity but (in three cases) an essentially common Chinese culture. However, China has

also been influenced by elements of the housing and planning policies and mechanisms used in these cases in shaping its urban and housing policy, such that as it has urbanised and developed, more similarities emerge.

Hong Kong was under direct British 'colonial' rule until relatively recently, with a direct transfer to China under a special 'one nation, two systems' agreement in 1997. As such it displays more elements of British influence in planning, land, housing and general administration. At the same time, with its overwhelmingly Chinese population (most descended from migrants from the mainland) and vigorous entrepreneurial culture, it may be seen as something of a hybrid. It clearly has substantial achievements to its credit, including a large well-functioning public housing sector, successful planned new towns and city extensions, and excellent transport infrastructure. In the context of this volume, we are particularly interested in the Hong Kong experience with a land development process in which the state plays a key role. From an Anglo-centric perspective, it is also interesting as a case of how super-high-density urban living can be made to work. At the same time, the picture is not all positive, as Hong Kong has been affected (as other Asian markets) by wide swings in the property cycle and by a pervasive problem of very high housing prices and affordability difficulties.

The pre-1997 British colonial administration was characterised by a fairly top-down, 'paternalistic' style of administration with little opportunity for democratic or community participation, whether in planning, housing or anything else. Paradoxically, the post-1997 regime, although not subject to direct election of the top positions, has been one which appears more sensitive to public opinion, and more cautious about upsetting particular communities, and urban planning is one area which has been opened up to more participation (Wan and Chiu 2008). It remains particularly sensitive, some would say overly responsive, to key economic interests (Poon 2005).

One final, and not insignificant reason for studying Hong Kong is that it has a well-established infrastructure of universities with a strong group of academics who have studied its system and others in depth. There is a strong body of published work and authoritative independent insight can be gained from the experience of this group of scholars, who are also actively engaged in research, policy and practice in mainland China as well as Hong Kong. This chapter draws freely on recent discussion with these scholars as well as their and others' published works. Whilst we focus initially and in detail on

the Hong Kong experience, in the last part of the chapter we turn attention to the cities of mainland China to draw out parallels and differences.

The British Legacy

Planning

Hong Kong has a comprehensive land use planning system which it inherited from the era of British rule and which continues in modified form to date. It is not a carbon copy of British planning legislation but a system adapted to the context and priorities of the colony, in some ways perhaps more akin to early post-World War II British practice than more recent styles of UK planning. Whereas British planning may be seen as a response to Victorian slums and interwar suburban sprawl, for Hong Kong the overriding priority has been to cope with and facilitate rapid economic and demographic growth within a topographically and environmentally constrained territory.

There are up to five tiers of plans or strategies, of which particular importance attaches to Sub-regional Development Strategies and Statutory Outline Zoning Plans and Development Permission Area Plans (Chiu 2008; Planning Department 1995); the former allocates sites for housing and the latter determines development density and form and associated public land uses including roads. Planning is managed centrally through a Town Planning Board whose membership is appointed from predominantly government, business and professional communities—elected local government does not play a dominant role as in the UK. There are overarching HK Planning Standards and Guidelines which have to apply to all developments, analogous to UK National Planning Policy statements and practice guidance. Whilst the terminology of zoning and physical standards sounds superficially more like a US-style zoning system than a UK-style discretionary development control system, the contextual reality of (a) constrained territory, (b) consequent predominant intense high-rise form, and (c) public ownership of all freehold and all raw land supply, makes for a completely different system in practice. Another feature of HK planning, reflected particularly in the top tier Territorial Development Strategy, is the close linkage with infrastructure planning; any new residential development must be connected to the transit system.

Land Ownership

As already hinted at, another key distinctive feature of Hong Kong, although it is one shared with both other Asian ‘dragons’ and with mainland China, is the central role played by the state in land ownership and disposal. For virtually all land in Hong Kong, ownership of the freehold title remains vested in the state. Urban development may be undertaken by the state itself, as in the case of public housing and certain infrastructure, or by private developers who acquire a leasehold interest in the land, usually through an auction process. Given the comprehensive approach to planning outlined above, leasehold disposals are routinely packaged with detailed zoning, development and layout plans which prescribe what can be built where—the analogy in other places would be a comprehensive masterplan. The common UK experience, where there is no up-to-date local plan and developers put forward a site which has not been zoned with a scheme which they have designed, does not typically apply. Until 1998 the quantity of land leased for private development was based upon a three-year housing demand projection and availability of existing serviced land (Chiu 2007, p. 73). Thereafter a modified auction process was introduced, entailing publication of a list of sites with developers invited to bid with a ‘minimum price’ for sites of interest.

The central role in land disposal gives the state a particular opportunity, but also responsibility, to influence outcomes in terms of the overall volume of supply, the type and location of supply, and (indirectly) the market price of housing. From a British perspective, where supply is manifestly inadequate and government relies on a decentralised system of local authorities and predominantly private land ownership, and where promoting supply has been likened to ‘pushing string’ (Bramley 2015), such a system looks enviable. It is also a significant source of revenue for the state, which also helps to motivate supply (Ng & Cook 1997). In practice, whilst land ownership has historically facilitated Hong Kong’s rapid growth, there have been questions about the effectiveness of the model in recent years. Land supply was deliberately expanded in the mid-1990s to curb price growth, but this did not prevent a speculative boom in 1997, whilst perhaps exacerbating the subsequent slump associated with the Asian financial crisis of 1998 and the subsequent economic problems including those associated with the SARS epidemic.

Public and Affordable Housing

Hong Kong is distinguished from the other Asian dragons by having a large and successful public housing sector, akin to British council housing. From its early days as a replacement for informal slum housing in response to a devastating fire in 1954, public housing has progressively expanded quantitatively and raised the quality standards of its stock as well as supporting the expansion of industry, the redevelopment of slum areas and the extended urban footprint in terms of new towns. Public housing has at times accounted for up to half of new development.

With free land provided from the state's land bank of raw, redeveloped or reclaimed sites, and building fairly small units at high densities, the public housing authority have been able to provide rental housing on a self-financing basis that is affordable to the lower-income population (those for whom private renting would be unaffordable) (Chiu 2008, p. 72). The share of public housing is relatively high in Hong Kong at 36 %. Furthermore, it is claimed that the volume of provision has been sufficient to exceed an official target 'waiting time' of three years to gain access to such housing.

Since the 1970s, a second strand of subsidised affordable housing has been promoted in the form of the 'Home Ownership Scheme' (HOS), a subsidised build for sale scheme with associated indirect assistance with mortgage insurance and funding of deposits, which now accounts for around 12 % of households. The scheme entails purchasers buying typically a 60–70 % share of the equity, and has been popular with buyers, although lobbying by the private development sector led to the scheme being suspended for a number of years after the 2003 recession. It is interesting that the HOS appeared to be a source of subsidy for public housing, which suggests that it could more than 'wash its face' as a self-financing activity, given access to free (serviced) land. There is a clear parallel here with the role of low-cost home ownership (LCHO) in the mix of affordable provision in the UK, where it has also been clearly seen as a source of cross-subsidy by social housing providers. This kind of home ownership-oriented subsidy has been the dominant form of intervention in Singapore, and also quite significant in other Asian dragons as well as in mainland China.



Illustration 8.1 Public rental housing, Hong Kong. *Hong Kong's long-standing public rental housing programme provides modest accommodation for more than a third of the population. A high priority is placed on the integration of community facilities and accessibility to transport and services.* (Image credit: Nicole Gurran 2014)

New Towns and Infrastructure

New towns were a key concept promoted through the British planning system, reflecting the ideals of Ebenezer Howard and the Garden Cities/TCPA movement, and it is clear that they have played a significant role in Hong Kong. In order to break free of the topographical constraints on development in the urban core (Hong Kong Island and Kowloon), it was necessary to promote development, in parts, of the New Territories which had previously been inaccessible. The integrated, planned development of new towns with mixed tenure, good public transit connection and good public service facilities and open space provision, was seen as key to this and there are good examples of such developments, often on reclaimed land (for reasons discussed further).

Hong Kong has an impressive metro system and the concept of transit-oriented development is extensively applied. Furthermore, the transit authority (MTR) is enabled to utilise land value uplift to help finance its investments. Thus, significant land endowments have been given to MTR, which then acts as a master planning authority and developer for key station sites. However, several Hong Kong based academics interviewed for this chapter (2015) advised that the styles of development often resulting from this (e.g. high-rise 'podium'-type schemes with shopping centres below and public or private (often gated) housing above) have been subject to some criticism (also see La Grange 2014).

Type of Regime

How would we characterise Hong Kong in terms of the social policy and housing regime typologies discussed in Chap. 3? Chiu (2008b) labels it a 'Liberal Interventionist' regime, which sounds somewhat contradictory but captures the paradoxical reality. In some respects it might be seen as more 'corporatist', given the priority accorded to supporting economic development, whilst in other respects the strong role of the state is more reminiscent of socialist or social-democratic regimes.

This is a clear case where path dependency can be seen to apply, particularly in the tenure structure and the strong role of public housing. Public housing was initially created by a strong bureaucracy as a response to a

crisis, then expanded to provide a broader response to the challenges of immigration and industrial growth. This can be seen as part of a broader growth strategy through 'collective consumption' alongside investment in education and welfare (Castells et al. 1990; Chen et al. 2014). Access to free publicly owned land has always been critical to financial viability and delivery, whilst having a mature public housing stock provides an asset base for further development without heavy injections of subsidy, as argued by Kemeny (1992, 2001). Public housing at 36 % of the total is clearly a mainstream tenure, not a stigmatised, residualised one. However, without a large rent-regulated private sector, Hong Kong could not be characterised as having a 'unitary' rental market.

Governance and Change Post-1997

Governance

Hong Kong was returned to Chinese rule in 1997 in a long-planned and negotiated handover. However, this did not mean rapid absorption into mainland China systems of law, government and economic organisation, but rather a continuity of systems in Hong Kong under a continued distinct status billed as 'One Country, Two Systems', underpinned constitutionally through the Basic Law. Hong Kong is a 'Special Administrative Region' (SAR), financially autonomous and responsible for all matters except defence and foreign affairs. It is governed by an Executive Council, appointed by the State Council, and led by a Chief Executive (CE) indirectly elected by an 'Election Committee' representing a range of 'functional constituencies'. There is a Legislative Council (LegCo), half directly elected via geographical constituencies and half indirectly elected via functional constituencies, which enacts and amends laws and budgets. Policy is administered through 12 Policy Bureaux, one of which covers Housing and Transport. As noted earlier, planning rests with a quasi-independent Town Planning Board. In addition, a local government structure has evolved entailing 18 District Councils (formerly Boards) which are

predominantly elected; however, these councils have limited powers and responsibilities, which do not include planning or housing provision.

Change

In the period since 1997, there have been three CEs. Under the first CE Tung Che-hwa an ambitious housing development programme was adopted, with a target of 85,000 new housing units per year to raise the stock by 40 % over a decade, of which a majority was to be public. This was a response to the perceived shortfall and overheating in the market in the late 1990s. However, the timing proved unfortunate, coinciding with the onset of the Asian financial crisis, and by the early 2000s house prices had plummeted by 30 %. For Hong Kong, the economic downturn was prolonged by factors such as the SARS epidemic and general economic restructuring. With significant actual and planned supply in the pipeline, moves were then made to stop public building programme and land release and, at the request of the private development industry, to suspend the Home Ownership Scheme from 2002.

Under the second CE Donald Tsang (from 2006) the emphasis shifted towards encouraging economic development including by becoming more responsive to developer interests and perspectives. More emphasis was to be on privately promoted housing, and the land disposal process was modified to an approach where the land authority published a long list of potential sites and developers registered an interest with a minimum bid, which might then trigger an auction. In practice land sales ran at a low level. In addition, there was a reluctance to address housing supply as the immediate concern was to see prices rise again. A review of the long-term land development programme in 2007 argued that there was not a great unmet need, for example, for new town designation, although some smaller New Development Areas (NDAs) were identified.

The third CE Leung Chun-ying took office from 2012, by which time evidence of a renewed housing price boom and inadequate supply was becoming inescapable, and housing supply became important once more.

A new Long-Term Housing Strategy (LTHS—Hong Kong Transport and Housing Bureau 2014) was commissioned, whilst shorter-term measures to cool housing demand through adjustments to stamp duty were introduced. These included a 15 % ‘flip tax’ on resales within 6 months (introduced in November 2010), a doubling of to 8.5 % for properties worth over US\$2.6m (October 2012), and increased stamp duty on purchases by foreigners to 15 % (February 2015). Media coverage of the housing market overheating/affordability issue and the problems of delivering enhanced supply was extensive in the period 2013–15 (e.g. Youqin 2013; Li 2015). The LTHS is a forthright and clear analysis of the quantitative need for housing and of the supply measures entailed in delivery. Remarkably, by international standards, the targets entail 60 % of the annual 48,000 units required to be public rented or subsidised home ownership, the latter comprising rather under a third of the headline ‘60 % public’ target. Thus, the HOS (restored belatedly in 2010) once again becomes a significant part of the picture.

The context for this is the evidence that Hong Kong has become one of the most ‘unaffordable’ cities in the world, with prices rising strongly and amongst the world’s highest when considered against median incomes (Table 8.1). In addition, the standards of housing space consumption are relatively low for HK residents, especially for a medium/higher-income economy; they are now significantly lower than in comparable mainland Chinese cities. This contributes to a growing dissatisfaction amongst the younger adult population, compounded by the fact that many cannot afford to get access to any form of independent housing unit, or enter the aspirational home ownership ladder.

That the HK Government has responded with a very positive strategy more recently is indicative of a system which is capable of responding to popular pressures and concerns. However, academic commentators point out, more critically, that for a considerable period the government took its eye off the housing ball, neglected long-term supply issues for almost a decade, and were too ready to succumb to the lobbying of developer interests. Whereas up to the 1990s the government had a dominant position in land supply, the current position sees that having been diluted by a combination of changed disposal arrangements (giving effective control of some sites to developers), a relatively oligopolistic sector, engagement

Table 8.1 House Prices as a multiple of annual median household incomes 2014/2015

Country	Range
Singapore	3–5
USA	4–5
Canada	5–6
New Zealand	6–8
Australia	6–8
England	8–10
Hong Kong	14–16

Sources: Statistics Singapore; Housing and Development Board 2014; US Census; JCHS 2015; Statistics Canada 2014; Canada Real Estate Association 2014; Statistics New Zealand 2015; Real Estate Institute of New Zealand 2015; ABS 2015; Department for Communities and Local Government 2015 Hong Kong Census and Statistics Department 2015

of developers in optioning agricultural land and the handing over of substantial land assets to the MTR (which has its own priorities). Some argue that the government lost credibility in the early 2000s, at the time of the previous crash/recession, and never fully recovered a position of confidence—a ‘political lame duck’ was how one put it. This accounts for some of the shortcomings of the period 2004–2012, and some continuing problems in addressing long-term land supply, discussed further. Others put a major emphasis on the ‘growth coalition’ character of the Hong Kong Government and its closeness to major developers, as well as real estate’s importance within the HK Stock Market, in leading to the over-deferential stance towards developers.

Current Challenges

Super-unaffordability

Hong Kong can be seen to illustrate both market and policy adjustments to high house prices. Firstly, as predicted in classic urban economic theory, the built form is strongly biased towards high-density, high-rise housing. Secondly, as already mentioned, space consumption per household or per head is relatively low, given the income level of residents.

Thirdly, it may be observed that it is just as well that there is a large, effective public housing system, as many/most residents cannot afford to enter home ownership unaided. This frustration of aspirations by the younger generation is clearly of concern to the government, and may underlie some of the recent political unrest.

Land Supply Constraints

As in the 1990s, the Hong Kong Government clearly believes that housing supply should be expanded to help improve affordability, as is evidenced by the LTHS. However, the scale of supply increase is based on traditional demographic projections and need backlog numbers, not on an economic model of the relationship between house prices/affordability and supply—unlike the attempt to do this in England following the Barker Review (2004), via the national advisory body NHPAU.

The key problem facing the government, however, is to source sufficient land to drive supply up to the target level. This stems partly from the neglect of the supply pipeline through most of the 2000s and partly from the emerging ‘politics’ of planning for new housing developments. The former is a problem because, as is documented in the LTHS document, a realistic assessment of the time to deliver new major housing sites, not previously identified in the planning process, may take 11–13 years – see Fig. 8.1. In other words, if a site is not already part-way through this process, it cannot contribute to this 10-year action plan. This may seem excessive, and evidence of an over-bureaucratic planning system, but it may still be a realistic estimate of what it takes to ‘do it properly’ in a Hong Kong context, that is, from scratch, and not short-circuiting processes of community consultation, environmental and technical reports, infrastructure provision and recognising the environmental and topographical features of Hong Kong (building high-rise on steeply sloping or reclaimed sites in a location subject to tropical storms, with appropriate transport access and services, etc.).

What are the options to provide this larger scale of new housing supply in Hong Kong? Some argue for a return to the successful New Towns programme of earlier decades. Alternatively, medium-scale NDAs of up to



Illustration 8.2 Public and private sector housing in Hong Kong. *There is a close spatial integration between the provision of public and private sector housing in Hong Kong. The geographical constraints of the island have dictated a very high-density housing form, with community and recreational facilities often provided on rooftops and podiums, with pedestrian access to the Metro line.* (Image credit: Nicole Gurran 2014)

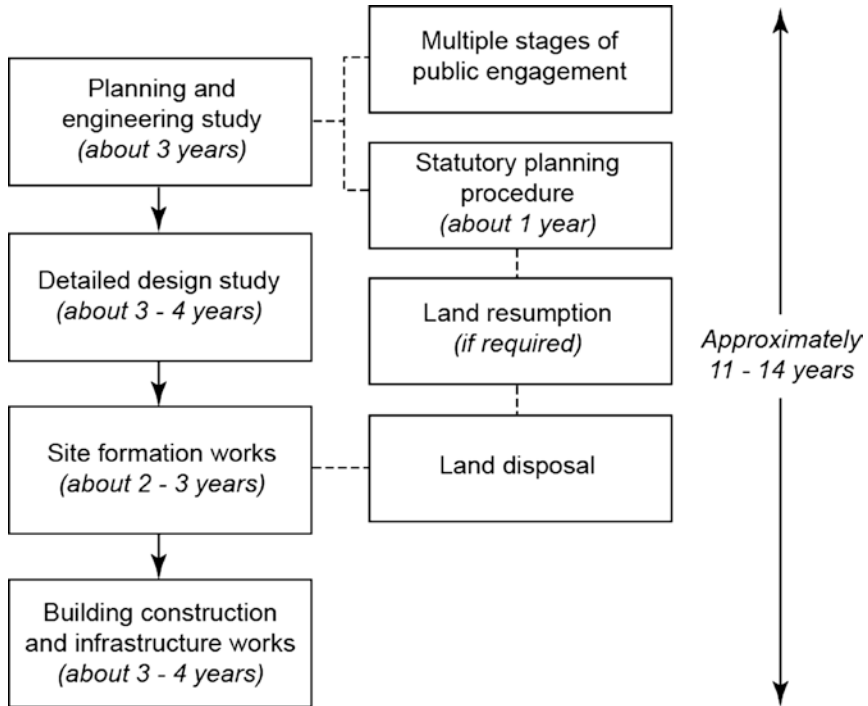


Fig. 8.1 Major processes for land and housing development projects (Source: Adapted from Hong Kong Transport and Housing Bureau (2014) *Long Term Housing Strategy: December 2014*. p. 17)

10,000 units may be defined. But in either case the problem is to identify the best location for these, and to gain political agreement to proceed. Most of the key new towns of previous decades were built on reclaimed land on the foreshore of rivers, estuaries and bays—an expensive and time-consuming option, with less readily available sites than before (Ng and Cook 1997). Of the land area, 40 % is designated as country parks or green belt, and there is quite a strong lobby against encroaching on these. Clearly, it is important that a high-density city should have green spaces to provide ‘lungs’, views and recreational spaces, but that does not necessarily justify all of these designations, and indeed the Planning Board has considered a long list of smaller sites within these areas which it deemed to be suitable for housing, suggesting that such areas were not in principle sacrosanct. Thirdly, there is the extensive area of farmland within the New Territories.

These seem to be subject to considerable political sensitivity, with the Government finding it difficult to deal with the indigenous population (who actually may be more receptive), whilst migrant farmers from China, squatters and green environmental groups form a sort of NIMBY alliance, partly perhaps in the former case to drive up the compensation levels. A complicating factor is that developers have bought options on farmland in a land banking exercise, which may make site assembly more difficult and expensive. The last option is urban brownfield redevelopment, either of older lower-density housing or of former non-housing uses, including industry and transport (including the celebrated case of the former Kai Tak airport). Politically this option is more acceptable, but it tends to be associated with schemes that are long, drawn-out and complicated, with considerable community consultation, and driven by commercial pressures to be even more skewed to super-high-density, upmarket styles of development.

Sustainability of Housing

What of the 'sustainability' qualities of housing in Hong Kong? From an environmental point of view, it exemplifies an extreme example of the 'compact city' form of urbanism (Jenks et al. 1996), housing many people on a small land area with a relatively high standard of living, low car-dependence and high reliance on mass transit. Newman and Kenworthy (1999) highlighted the low level of fossil fuel consumption of Hong Kong and similar cities. The build quality of housing is good and there are relatively few cases of people living in very bad housing conditions (LTHS, pp. 22–26). Public and private housing estates are typically well provided with local services and public transport access to wider services and opportunities is good. Crime and security are not particularly problematic.

A somewhat more negative picture arises from the affordability issue and the associated relatively low space standards enjoyed by typical households. Very few households have the opportunity to enjoy the environment and opportunities for informal outdoor play, recreation and socialisation afforded by more suburban forms of single family housing or low-rise medium density housing, which have been shown by research elsewhere (e.g. Bramley et al. 2009) to be valued and to contribute to 'community' aspects of social sustainability.

Social mix at neighbourhood scale is argued by some to be a key component of social sustainability, on grounds of both equity and social cohesion. Hong Kong's traditional form and pattern of development tended to be associated with a fair degree of mix at this area scale, if not so much within blocks. Recently, there has been some concern about the proliferation of 'gated communities' (La Grange 2014) as well as about forms of development which undermine the common shared public realm by creating semi-private spaces of shopping malls and service/recreation facilities associated with socially exclusive housing schemes (e.g. the so-called podium developments). The latter are often blamed on the development activities of the MTR organisation. Social mix does not appear to have been particularly significant as a policy goal. Nevertheless, it is interesting that in the late-1990s and early 2000s there were versions of the Home Ownership Scheme that operated as 'quotas' on private developments and private regeneration schemes (PSPS and MDPS schemes, the former accounting for nearly 100,000 units), before the scheme was suspended in 2002. This approach shows clear parallels with the 'Section 106' planning targets and agreements approach in England in this period.

Market Instability

If affordability is the Achilles heel of Hong Kong housing, it seems to go hand-in-hand with a level of volatility or instability in the market which is damaging both to people's housing chances but also to the Government's ability to follow a consistent housing policy. Indeed, the post-1997 history shows a very unfortunate tendency for the Government to react to housing market events in ways which undermine its capacity to cope with future fluctuations.

Figure 8.2 shows the way in which house prices boomed and slumped around the time of the transfer of sovereignty to China, with a rise of 75 % over two years followed by a fall of two-thirds in the subsequent slump. Whilst that period was exceptional for perhaps understandable reasons surrounding regime change, of more concern is the persistent tendency of the market since 2005 to display surging increases, with year-on-year rises topping 30 % on at least four separate occasions. In 2015

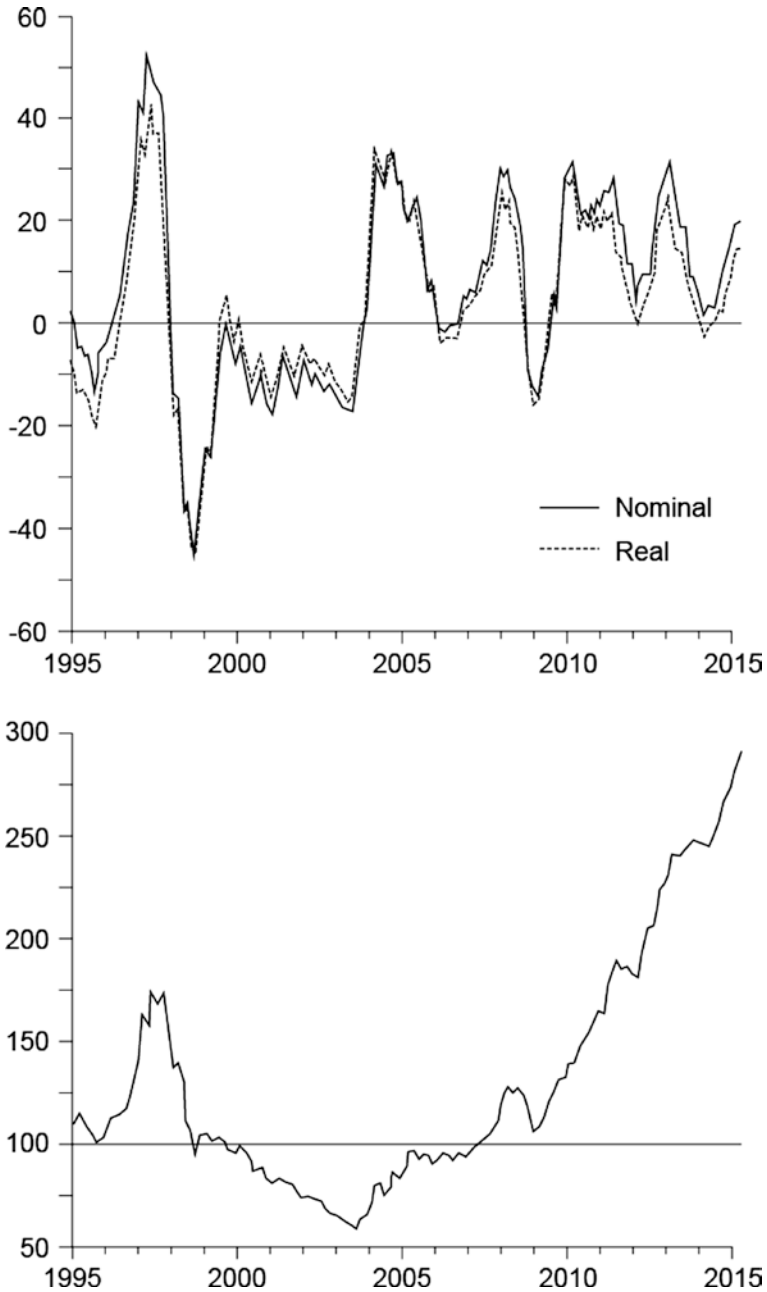


Fig. 8.2 Annual house price change, Hong Kong (Percentage) (Source: HK Rating and Valuation Department.)

prices were three times the level of 1995, and *five times* the level of 2003. Such volatility is extreme and damaging, certainly to the ability of ordinary Hong Kong residents to obtain or afford housing. It also appears to be out of line with the experience of some other comparable economies, for example, Singapore or Korea.

Figure 8.3 shows how housing completions performed during this period. Essentially the story is one of housing supply being out of phase with the fluctuations in demand, being high when the market was slumping in the early 2000s, and low as the recent surges took place. Despite recent efforts to raise supply, the overall level of delivery (15,000 in 2014) remains well below targets and below achievements in earlier periods, for reasons discussed earlier. Supply is not the primary cause of the fluctuations in price, although the level and responsiveness of supply is a contributory factor in the recent upward movements in prices.

Whilst the domestic population of Hong Kong provides a mature market of a normal kind, there is a significant overlay to this of international investment, and this comes from two distinct sources: wealthy individuals and expatriates generally, and the new wealth coming out of

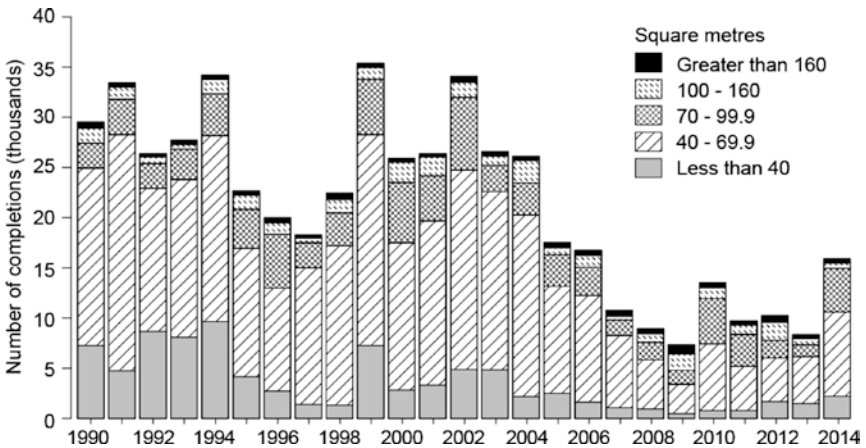


Fig. 8.3 Housing completions, Hong Kong 1990–2014 (Source: Ratings and Valuation Department, Hong Kong)

mainland China. Hong Kong is particularly attractive to both groups for a range of reasons including its strong business culture and infrastructure, rule of law and effective administration, well-established and well-served expatriate community, and its currency pegged to the US dollar. Flows of funds seeking to invest in assets such as residential real estate have been reinforced by the actions of monetary authorities in both the USA and Europe and the associated low levels of interest rates.

One can discern parallels between this situation and that of London, especially, and possibly Sydney, amongst the cities considered in this volume. However, Hong Kong is a relatively small economy and these financial investment flows are proportionately a very large influence.

The HK Government has tried to damp down investor as well as general demand and speculation by a range of measures since 2010, including a 'flip' tax (double stamp duty on properties resold within 6 months), additional stamp duty on foreign property purchases or higher-value transactions, and higher down-payment requirements for new home-buyers. To date, these have not really stemmed or reversed the boom. Commentators argue that the market may face a downward correction or period of cooling, due to mainland China crackdown on wealthy individuals, the slump in Chinese stock markets, international perception of HK being overpriced, the likelihood of tighter monetary policy from the USA, doubts about HK growth prospects and longer-term concerns about population ageing.

Mainland China

Urbanisation

In the final part of this chapter, we provide a concise and selective reflection on recent housing development and markets in mainland Chinese cities, in the light of the Hong Kong experience. The dominant story of recent years has of course been one of very rapid industrialisation and urbanisation, with initially a pathfinding role being played by major coastal cities and Special Economic Zones (SEZs) (like Shenzhen, next to Hong Kong) but later with growth spread-

ing to dozens of smaller and inland cities. This urbanisation has been accompanied by large-scale migration from rural to urban living and working—however, a distinct feature of mainland China has been the maintenance of the ‘Hukou’ registration system, under which rural residents do not necessarily gain urban citizenship status, including access to services and welfare benefits, when they move to work in an urban area, and are effectively treated as temporary migrants for indefinite periods. Whilst this system has made for a flexible labour market which can absorb fluctuations in demand, it has also created a stratified, unequal urban society with much poverty and inadequate housing conditions (there were an estimated 200 million rural migrants without urban hukou, according to Wang et al. 2012). The system has its curious, perhaps unique parallel, on the supply side, in the form of ‘urban villages’, enclaves of housing and people operating under the former rural system but surrounded by modern urban development. These often intensify in an informal, unregulated fashion and house large numbers of migrant workers (as sub-tenants) in poor housing conditions (Wang 2012; Wang and Shao 2014).

Housing Policy

Housing policy for urban China has gone through various phases since Deng Xiaoping initiated reform and opening up to international and market developments progressively from 1978. Initially, urban development proceeded rapidly but under the established state-enterprise dominated system—housing was built by enterprises for their workers, often on the same site, and let on a peppercorn rent as part of the ‘social welfare’ package associated with the job (Wang, Wang and Bramley 2005). From the late 1980s, experiments were initiated in creating more western style ‘commercial housing’ markets, particularly in major coastal cities, whilst (as in Eastern Europe) enterprise housing was progressively sold to its occupiers at knock-down prices. Mortgage markets and prudential fund saving schemes were developed at this time. In the third phase, from the late 1990s to late 2000s, the

overwhelming emphasis was on commercial market housing development, with relatively little emphasis on public, social or affordable housing. Most of this housing was built on rural lands appropriated by local authorities from their former rural resident/farming communities, although in some cases these areas had become 'urban villages' and what was involved was essentially a redevelopment. In the final and current phase, the government from around 2008 shifted the emphasis back towards including a substantial element of social/affordable housing, with very ambitious numerical targets, alongside commercial development. This reflected concerns about house price inflation and affordability, and about maintaining social cohesion and 'harmony' in the face of rampant increases in inequality.

Hong Kong and Dragon Influence

Independent academic commentators concur that Hong Kong, alongside the other 'Dragon' economies, has exerted a considerable influence on mainland Chinese urban housing development over the last two to three decades (Chiu 2008, 2010, interviewees). The notion of a strongly proactive state promoting housing development, including through direct involvement in the land ownership and development as well as the planning process, is common, as is the use of leasehold as the standard form of land tenure. The HK practice of auctioning site leases (use rights) was belatedly adopted (in 2002), after it was realised developers were making excess profits on fixed-price sales (Wang et al. 2013, p. 248). Promotion of home ownership as the majority tenure is clearly a common element, including forms of subsidised 'low cost' home ownership. However, it may be observed that perhaps the Singapore model, with its overall emphasis on subsidising home ownership rather than public rented housing, has been more influential than Hong Kong. Influence on practice at a more detailed level may be discerned through the role of Hong Kong's Higher Education Institutions and the professional education (not to mention consultancy) which they provide in planning, real estate and housing management.

Local Authority Role and Motivation

It is important to highlight, however, that in China the arm of the 'state' which plays the key roles of planning and land acquisition/servicing/reparcelling/disposal is the local authority (LA)—this is a major difference from Hong Kong. It is widely recognised that Chinese local authorities obtain a large part of their total revenues from this land development and sale process. This in turn gives them a strong incentive to plan and promote development, and to expedite its implementation, regardless of (a) the objective evidence on need and demand, or (b) the views and wishes of existing residents and occupiers of the peri-urban land or urban village enclaves which is often the target for new development/redevelopment. The issue of fiscal incentives is one which plays differently in different countries/systems. In the UK, it is widely believed that incentives are insufficient to motivate LAs to actively promote housing development (Barker 2004; Bramley 2012, 2015), despite recent attempts to increase explicit incentives. Incentives are also discussed in other chapters in this volume. Perhaps, it is important to recognise two levels to the incentives: the formal and overt fiscal benefit to the LA; and the informal and covert incentive of potential corrupt payments or benefits to village leaders, local officials and leaders.

The extent to which LAs are fiscally motivated to promote housing development will depend upon what other sources of revenue they have, as well as their service responsibilities and their awareness of the costs they are likely to incur in meeting those. This implies that an area for reform may involve restructuring of the financial bases of local government, so that it takes a more balanced view when taking planning decisions. However, the underlying driver appears to be, as in Hong Kong, a very strong commitment to growing the urban economy. In other words, the LA is acting on behalf of a very strong local 'growth coalition'. Housing development will be supported if it can make reasonable claims to enhance the growth of the economy. This may mean that the LAs are quite strongly supportive of housing targeted at external or foreign investors, or housing for 'key workers', but less enthusiastic about public/social housing for the poor. These motivations surface in recent evidence on the ways cities have used the social and affordable housing programmes promoted since 2008.

Achievements and Problems

There is no question that the process of urbanisation and modernisation in China over the recent decades has made some remarkable achievements. The sheer scale of urbanisation is breathtaking, rising in population terms from 190 million (19 %) in 1980 to 742 million (54 %) in 2014, with 316m (23 %) living in city agglomerations of over 1 million [Source: World Bank: World Development Indicators WDI]. Urban China built c. 7 million housing units per year through the period 1998–2011, which contrasts with England's 175,000 figure. Very large and solid achievements have been made in raising housing standards and in reducing the incidence of poverty. Residential floor space per capita in cities increased from 4.3 m² in 1980 to 34 m² in 2010, significantly higher than Hong Kong (Youqin 2013). The proportion of the population below the absolute poverty standard of \$1.25/day has fallen from 54 % in 1987 and 28 % in 2000 to just 6 % in 2011 (WDI). Markets have been created (home ownership rising from 20 % in 1980 to 75 % in 2019) and shown to operate, albeit with some instability and need for government intervention.

These impressive achievements should not, however, conceal the fact that there are some major unresolved problems. Urbanisation has been accompanied by a rapid and unsustainable rise in energy consumption from fossil fuels, both for power generation and motor transport, and this in turn is feeding a crisis of air pollution across many cities. A third or more of the urban population are rural migrants without urban 'hukou' and hence no or limited rights of access to urban housing, public services or welfare, and this group typically live in poor housing conditions renting in urban villages or factory dormitories (Wang et al. 2014). Local authority growth machines have in some cases overreached themselves and ended up constructing 'ghost towns' of new housing which nobody wants to buy or live in— a strange parallel with the extremes of the boom and slump seen in both Ireland and Spain, as documented elsewhere in this volume. Inequality has increased—the top 10 % of income earners took 30 % of the total recorded incomes in 2010 compared with 23 % in 1987, whereas the bottom 10 % got only 1.7 % compared with 3.3 % in 1987 (WDI). This has added to the problem of housing affordability,

as the higher-income group have bid up the prices of housing and made access more difficult for low and middle-income groups. China displays relatively high ratios of house prices to incomes, with some particular hotspots such as Shenzhen and Beijing as noted earlier. For example, Wang et al. (2013, p. 351) quote ratios of average house price to average salary in four key cities ranging between 11.5 and 24.1 over the period 2000–2008. Quantity may have trumped quality in urban housing construction, and there is certainly a lot of very repetitive high-density urban environments being created as well as reports of poor build quality in some instances.

Urban China has suffered from somewhat similar problems of house price inflation and volatility as have afflicted Hong Kong. Housing asset values are clearly a sensitive indicator for the government, which has intervened on several occasions to moderate the market—more recently it has intervened significantly to prop up stock markets. Explanations for house price inflation in urban China include a range of factors including low interest rates, entry into World Trade Organisation (WTO) leading to more highly paid international employees, expectations of a rising currency and migration by richer households to major and coastal cities (Wang et al. 2013). Price rises were only temporarily dented by the 2008 financial crisis, and tax and regulatory policies to limit price inflation were instituted in 2009 and 2010. Again, this is one of those cases which suggests that a high volume of new housing supply is not a sufficient condition for avoiding price inflation.

Back to the Future with ‘Public Housing’

It is equally significant, however, that these problems have led the Government since 2007 to usher in a new phase of housing policy, with a much higher level of commitment to ‘public’/subsidised housing, which had previously fallen from 25 % of output in 1998 to 7 % in 2008 (Wang et al. 2013, Table 1). In a series of measures culminating in an announcement in 2011 by the Premier that 36 million ‘public’ housing units would be built by 2015, taking the ‘public’ share of urban housing stock to 20 %. The leading role in this policy is taken by local

government, as part of the wider 'fiscal federalism' approach of China to urban and social policy. Local authorities of course may be able to recycle some of their profits from commercial housing land disposals to this end, so providing a loose parallel with the 'section 106' planning policies used in the UK. Whether or not this ambitious target is achieved, there has certainly been an upsurge in provision of a range of (at least five) types of 'public housing'. It should be noted that the majority of these take the form of LCHO schemes (particularly the so-called 'Economic and Comfortable Housing') rather than traditional public renting, and that the local authorities implementing the policy seem to prefer that emphasis, perhaps because it supports their economic goals by attracting and retaining 'key workers'.

In discussing the theoretical implications of the story of urban China for social policy regimes, the recent literature suggests that China does not fit the standard typologies very well, being a hybrid case. What started as a typical East Asian 'productivist' approach to welfare (Holliday 2000) seems to be evolving into a 'developmental state' model (Stephens 2010; Chen et al. 2014), whereby the achievement of key social goals becomes part of the objective, rather than narrowly defined GDP growth. At the same time, the devolved fiscal system gives local authorities an incentive to try to keep down their future welfare bills, and this is argued to encourage them to promote home ownership (Doling and Ronald 2010).

Conclusions

In seeking guidelines for successful ways for planning to engage with the housing market, we can draw a number of clear conclusions from the Hong Kong experience, and these are to some extent echoed by the wider experiences of mainland China. First and foremost, we would highlight the importance of land ownership prior to development. Planning in Hong Kong is effective because the land is publicly owned and leasehold disposal is closely integrated with planning. This resembles the situation in post-war British new towns or comprehensive redevelopment areas, and the way Dutch local authorities process land for development. It generates resources to fund infrastructure and to cross-subsidise social

purposes, including affordable housing. Whilst in broad terms the same could be said of mainland Chinese cities, the process of acquiring land from rural villages is open to abuse and the development process may be too strongly motivated by generating revenue rather than achieving an optimal form of planned new city.

A second broad conclusion is that longer-term planning with a clear pathway to future urban growth, in terms of designated growth areas, is essential to enable delivery of housing and responsive supply in the face of strong demand. Whilst Hong Kong has a good track record of planning new towns with integrated transport and services, the commitment to forward growth planning was fatally weakened in the mid-2000s by reactions to the financial and housing market recession of the early part of that decade. In current boom conditions, the authorities are struggling to play 'catch-up' and finding it difficult to reconcile the long lead times associated with doing development 'properly', without the major development areas having been identified a decade earlier. A focus on long-term growth boundaries, as in some US and Australian states, may be helpful in focussing thinking on future urban form, although such approaches are typically applied in land-abundant city-regions.

A third conclusion is that traditional public housing is still viable and can play an important role in tackling affordability, poverty and housing needs in a pressured urban market. The Hong Kong experience here may be unusual but it demonstrates the truth of the above proposition, whilst showing it to be contingent on a consistent policy commitment over a long period and a clear linkage with public land ownership. Given these provisos, the sector ultimately benefits from the maturing public asset if it is not squandered in political giveaways like the British 'Right to Buy'.

Both Hong Kong and China demonstrate that there is also a significant role for subsidised intermediate forms of LCHO ownership targeted at younger middle-income households in pressured markets, typically involving forms of shared equity and assisted savings and deposit schemes. These may be procured by quota-type planning obligations, as in the UK and for a period in Hong Kong, as well as by direct public provision alongside public housing, and arguably provide a valuable tool for promoting graduated social mix in new communities.

Hong Kong shows very clearly the centrality of transport infrastructure for successful urban development, and provides exemplary illustrations of 'Transit Oriented Development'. This is so much built into the thinking now that the MTR authority is regularly given large parcels of public land around new station sites and acts as lead developer in exploiting this. However, a potentially negative aspect of this is that the styles of development associated with some of these schemes ('podium' or 'wedding cake' architecture) have attracted some criticism, and may not accord with good planning or urban design practice promoted elsewhere. This may be an example of where fiscal incentives are not quite in balance, as MTR seeks to maximise leasehold premium sale revenues. The issue of fiscal incentives leading to unbalanced development is much more of a problem in mainland China, however, with its 'Ghost Cities'.

To a casual visitor to Hong Kong, its most striking feature is the very strong emphasis on high-rise housing. Coming from other places which look and feel very different, that naturally prompts some questions: is this sustainable, and does it offer a good quality of life? Given the geography and the economics, there is probably a degree of inevitability to the high densities, but given that Hong Kong seems to have done it reasonably well, and probably better than many mainland Chinese cities. There is little in the way of slum or informal housing. Social mix is reasonable at neighbourhood level, although gated communities are on the rise.

Despite its many strengths, the Hong Kong housing system has suffered from the impact of experiencing some relatively extreme economic and financial cycles, which have had a major impact on its housing market. Its structural vulnerability to such factors stems from its role as a relatively small but very open international trading and business centre, and gateway to mainland China, set on a small and topographically constrained land area. The essence of its dominant growth model is to attract investment and spending from an internationally mobile global capital, both corporate and individual, western expatriate and Chinese mainland-linked. This means it is inevitably a target for hot money, which may flow out as well as in considerable volume, and naturally come to be parked in real estate to a significant extent. It is possible that the policy of linking the HK to the US dollar exacerbates these tendencies. Whilst it is desirable for Hong Kong to increase its housing supply, there is no way

that supply (or any form of planning deregulation) would completely solve its affordability problem, given the above structural characteristics. Mainland China has also experienced speculative house price surges and affordability problems, and has taken fiscal and other measures to stabilise markets.

Looked at from outside, the planning system in Hong Kong looks very top-down and non-participatory, and in that sense a long way from the increasingly decentralised and participatory processes in other countries. Even mainland China is more decentralised to local government level, although still very controlled through the one-party system of government. Some of the current problems with planning in Hong Kong seem to centre on the system's difficulty in dealing with participation, when there are local resident groups within communities who are resistant to new housing development. Paradoxically, a government regime which has limited and somewhat contested democratic legitimacy is notably cautious about overriding some of these community groups (indigenous population, migrant farmers and squatters in the New Territories), even where there may be a strong planning case for designating a New Development Area (NDA) (and where compensation would be paid).

Overall, these cases, Hong Kong and China, both illustrate that path dependency remains very important in the evolution of housing and planning policies—where you are now, and the possibilities you face, depend more on the specific contingencies of where you have come from and how you got here. Neither case fits simple 'ideal types' from the theory and both have been adaptive to circumstances as they have evolved.

9

Housing, Property Politics and Planning in Australia

Housing and the dream of home ownership have been central to the Australian psyche almost since white settlement. Indeed, by the time the ‘First Fleet’ set sail for Australia in 1788, overcrowding and crime in England’s cities had become so rampant that prison inmates were housed in boats on London’s River Thames. So in one sense, Australia, as a colonial nation, provided a kind of solution to the urban pathologies of eighteenth century Britain, a dumping ground for ‘social waste’ (Bartlett 1976). Subsequent external influences—initially from the mother country but later from the USA and the rest of the English-speaking world—helped shape Australia’s urban laws, policy and design. Consequently, the nation’s approach to urban regulation and planning as it developed over the twentieth century can be described an amalgam of British discretionary development assessment and American style land use zoning. Whilst a chronic post-World War II housing shortage was resolved by the 1960s, by the new millennium there was renewed concern over a perceived shortage of residential land and sluggish rates of new housing production in the context of mounting demand side pressures (Productivity Commission 2004, National Housing Supply Council

(NHSC) 2009, 2011). Between 2001 and 2014, Australian house prices began to rise significantly faster than the OECD (Organisation for Economic Co-operation and Development) average, registering only a small adjustment during the GFC (IMF 2015). In this context, there has been ongoing policy concern about the role of the land use planning system in constraining new housing production and exacerbating affordability pressures (Gurran and Phibbs 2013).

Australia's efforts and policy debates around housing supply, affordability and the impacts of planning regulation, provide an interesting 'real world' example of the more theoretical debates about relationships between planning and the housing market, introduced in the first section of this book. Australia's housing story is also inherently political, with the politics of home ownership and housing-related wealth jostling against the powerful interests of land developers, arguably to the detriment of lower-income renters. A climate of community hostility to socially mixed developments and developer opposition to affordable housing requirements have frustrated attempts to secure affordable housing through the planning process, whilst the national policy debate has focussed on perceived regulatory barriers to housing supply.

The following sections of this chapter chart this evolving policy and political context for urban planning and housing provision in Australia. The focus is on a shifting dialectic between government attempts to regulate urban development whilst supporting the private housing market. Four key policy episodes are highlighted in the first section of the chapter (summarised in Table 9.1). These are early settlement and land and housing speculation; the post-Federation era of government intervention in housing provision; the twin movements of environmentalism and neoliberalism from the 1980s onwards; and, the re-emergence of national level concern over housing affordability from around the turn of the new millennium. The second section of this chapter outlines contemporary approaches to housing and urban policy, in part, through various inclusionary planning experiments. Potential lessons from the Australian experience in the light of the overarching housing challenges identified in Chap. 2 are highlighted in conclusion. This historically informed analysis suggests that contemporary approaches to urban planning and the housing market in Australia do reflect a certain path dependency in

Table 9.1 Timeline of key episodes in the evolution of Australia's housing and urban planning systems

Period	Policy episodes
Early colonisation	Colonial order, property speculation and city building
1788–1830s	First town plans, including minimum lot sizes and street widths (but often ignored)
1840s	Building societies introduced—finance for home ownership
1850s	Rail lines in Melbourne, Sydney, enabled suburbanisation, rapid urbanisation and speculative land/housing development
1880s	Public health and sanitation laws to introduce building standards
1890s	Housing market crash
Federation-late	Urban reform and an absolute duty to interfere
1970s	
1912–1915	Concerns about slum housing, interest in modern town planning movement
	First public housing estate (Dacey Gardens, NSW)
1930s–	State housing authorities established, low-cost rental housing; some low-cost home loans
1945	Commonwealth State Housing Agreement (CSHA)—Commonwealth loans to the states for public housing, the requirement for states to undertake slum clearance and introduce modern town planning laws
1950s–	Increasing emphasis on home ownership, public housing tenants can purchase dwellings
	Growing reliance on 'self-build'—owner builders constructing or commissioning their own home directly
1972–	Commonwealth urban and regional development initiatives, particularly infrastructure for growth
	Commonwealth Land Commission Programme
1978–	Committee of Inquiry into Housing Costs—finds that planning system is creating regulatory barriers to housing development
	Increased targeting of public housing
1980s/1990s	Rise of environmentalism, urban consolidation agenda, era of neoliberal reform
1980s	Deregulation of home finance, followed by rapid interest rate increases
	Fiscal crisis in government, reduced spending on urban infrastructure
	Capital gains tax (1985), but not to family home
1985–87	Negative gearing (full tax deductability of expenses from investment properties, against whole income) confirmed
	Growing environmental agenda

(continued)

Table 9.1 (continued)

Period	Policy episodes
Early 1990s	Rise of urban consolidation, increasing inner city gentrification Residualisation of public housing, reduced (real) funding for new social housing supply
1996–	Falling interest rates Rising house prices (national housing boom 1996–2004) 50 % Capital Gains Tax discount (investment housing)
2000s– 2000	Concern over housing affordability and new supply First Home Owner Grant (to offset effects of newly introduced Goods and Services Tax)
2007	National Housing Supply Council (NHSC) established Housing Affordability Fund (2007–2012)
2008	National Rental Affordability Scheme (NRAS) 2008–2014
2009	National Affordable Housing Agreement 2009 (replaced the CSHA) Social Housing Initiative (Economic stimulus in response to GFC) (2009–2012)

Source: The authors

responding to the wider challenges to housing (rising inequality, demographic and environmental change and the structure of urban life) as discussed throughout this book.

The Evolving Policy and Political Context for Urban Planning and Housing Provision in Australia

Any urban history of Australia must acknowledge the primary and violent displacement of the nation's Indigenous owners. Upon landing in what is now known as Sydney's Botany Bay in 1770, Captain James Cook declared the East Coast of Australia part of the British Empire under the doctrine of 'terra nullius' (or 'empty land'). This declaration was made despite the evident presence of an Aboriginal population which numbered between 600,000 and 1 million people at the time (Clark 2002)¹.

¹ Under international European law, colonial possession of country was lawful only if the land was uninhabited, won through war or battle and/or if a treaty was agreed between the colonisers and

The subsequent arrival of the First Fleet in January 1788, under Captain Arthur Phillip, precipitated rapid decimation of the local Indigenous population through a series of conflicts and the spread of disease.

A Home of One's Own? Colonial Order, Property Speculation and City Building

The original plan for Sydney, drafted within weeks of the arrival of the First Fleet, reflected Georgian principles of design and military concepts of order and control (Freeland 1972). Homes were to be detached, on large blocks of land, lining grand streets aligned to catch the breeze. However, as the early settlement struggled to survive on meagre and uncertain supplies and was beset by crop failure and drought, pragmatism ruled and the plan was largely abandoned. Subsequent planning attempts also failed, in the face of increasing 'self-interest and avarice':

"The lines ... were soon being breached ... Buildings crept towards the centre of the streets or ignored them altogether according to the personal convenience and greed of the land-owners. Land marked for public use was grabbed by private hands. Streets became narrow, alley ways developed, and the worthily conceived dream became cramped and mean." (Freeland 1972, p. 100)

At the beginning of the nineteenth century, Governor Macquarie set down new minimum standards for street widths and building setbacks, granting short-term land leases for the construction of dwellings, to be built within three years of the grant, and to be constructed to two storeys in height and of brick or stone (Freeland 1972). However, by 1827, short-term leases which had constrained some development, were replaced by perpetual leases, leading to rapid subdivision of the wide blocks and rampant land price inflation. By the 1830s, entrepreneurs had begun rapidly subdividing the inner cities of Sydney, Melbourne, Brisbane and Adelaide. New legislation was introduced to deal with such

Indigenous people. That none of these three conditions held in relation to British colonisation of Australia reflected the dehumanising way in which Europeans viewed the Aboriginal people as native occupants rather than owners (see Russell 2005; Wensing and Porter 2015).

problems—such as the *Queensland Undue Subdivision of Land Prevention Act 1885*, which set standards for street widths and allotment sizes. Regulation was largely resisted by the burgeoning speculative building industry (Freestone 2010; Marsden 2000). Chronic overcrowding, fire and sanitation problems resulted (Wright 2001).

As this pattern became emblematic of town and city development in Australia, urban historians have suggested that self-reliance, a commitment to *laissez-faire* and the disregard for authority were intrinsic to the character of the early immigrants—free settlers and convicts alike (Sandercock 1975; Clark 2002).

By the 1830s, the NSW penal colony had begun to wane but increasing numbers of free settlers sought to escape economic hardship in Britain. Australia offered a chance for a better life, including the dream of home ownership, and escape from ‘tyrannical landlords’ (Davison 2000).

Building societies appeared in the 1840s, offering finance for housing development and home ownership. Private enterprise was the driving force behind the rapid development of houses and suburbs beyond the overcrowded inner cities, enabled by the introduction of suburban rail lines in the mid-1850s. First in Melbourne and then in Sydney, the rail line offered tremendous gain for existing landholders and developers able to finance speculation and influence government policy on the routing of the railway:

“Development was an avaricious, private enterprise business. The overriding concern was to obtain the greatest number of building allotments in the simplest way...thousands of cottages were speculatively built with money borrowed from the bottomless coffers of the building societies and, in the process, Melbourne was transformed... the spread of the city was stimulated by the undercover influences of the land speculators on the government. In 1880, the Victorian parliament authorised the construction of 475 miles of new railway line for their benefit.” (Freeland 1972, p. 111)

The rate of Australian urbanisation between 1860 and 1900 well exceeded that of other ‘new’ countries such as Canada and the USA, and ‘city building’ was a major focus of investment (Sandercock 1975). The booming building industry accounted for 15 % of Australian GDP from

around 1870 until the early 1890s (Fisher and Kent 1999). Whilst the boom was, in part, driven by population growth, high levels of speculative building, fuelled by easy finance (and much overseas investment which began to wane by the late 1890s), led to a crisis. A number of building societies and even some banks had collapsed by 1893, triggering recession (Fisher and Kent 1999).

Urban Reform and an Absolute Duty to Interfere

An urban reform movement gained momentum during the early years of Federation (1900–), concerned as much about urban squalor and poverty as by the idealistic UK Garden City and US City Beautiful movements. Architects/planners such as John Sulman espoused the “absolute duty of the state to interfere” in remediating the public health risks associated with slum housing (quoted in Sandercock 1975, p. 16).

Australia’s first ‘garden suburb’ was established during this time (Daceyville in Sydney’s east), offering low-cost rental and homes for sale (Freestone 2000). Town planning laws were introduced from the late 1920s, but faced considerable political resistance and suffered multiple defeats in parliament. The nation’s first building industry organisation, the Master Builders’ Association which formed in the 1880s, was a vocal critic of regulations which it argued would increase the cost of housing and land subdivision (Marsden 2000). The laws that were passed tended to protect the property rights of existing home owners from unsympathetic encroachments, without impeding the process of private land subdivision and development (Sandercock 1975). Thus, the early evolution of urban planning in Australia was shaped by a strong, culturally embedded resistance to regulation, combined with an equally strong belief in the significance of home ownership and private property rights. Home ownership itself was associated with the detached cottage surrounded by its own garden:

“Anything less was a risk to public health, a threat to industrial efficiency and productivity, a recipe for immorality, drunkenness, and epidemic diseases, and a catalyst for social unrest generally.” (Freestone 2000, p. 127)

The mid-twentieth century saw increased government intervention in Australia's housing market. In 1943, a Commonwealth Commission formed to examine the housing problems which had mounted during the war and interwar years, declaring that:

“a dwelling of good standard and equipment is not only the need but the right of every citizen—whether the dwelling is to be rented or purchased, no tenant or purchaser should be exploited for excessive profit.” (Commonwealth Housing Commission 1944, quoted in Troy 2012, pp. 52–53)

However, with urban policy and housing beyond its direct sphere of influence, the Commonwealth had limited powers to intervene. The solution was loans to the states for public housing construction, awarded on the basis that the states enact modern town planning laws and undertake slum clearance (Troy 2012). The ‘Commonwealth State Housing Agreement’ (CSHA) continued as the main funding instrument for public housing provision, undergoing several iterations over the years and renamed the National Affordable Housing Agreement in 2009. Nevertheless, the brief connection between housing and urban policy was not sustained.

By the mid-1950s, with a shortage of private and public rental housing opportunities, households began to commission their own homes on land which had been subdivided before the wars, often doing much of the construction work themselves. According to Troy (2012), this is how Australia's distinctive tradition of ‘self-build’ began. Rates of home ownership climbed steadily from 53.4 % (1947) to 64.3 % in 1954 and to about 70 % by 1964 (Troy 2012), boosted by Commonwealth grants for first home buyers and favourable tax settings.

In the early 1970s, a series of Commonwealth urban and regional development initiatives were sponsored by the Whitlam (Labor) government including increased funding for public housing, transport and infrastructure. Funding was also allocated to establish decentralised urban growth centres and state land commissions. The latter were enabled to purchase large tracts of land within or near major urban areas, to be developed and sold to individuals at low capital cost. This provided a mechanism for securing community equity whilst providing a moderating impact on the land and housing market (Sandercock 1975; Troy 2012). At the same

time, the private housing and land development industry was becoming more over this time, producing residential ‘house and land’ packages which enabled buyers to select a lot and an approved design for construction by an individual or ‘project’ builder. Project builders in particular could utilise efficiencies of scale in producing new homes at a competitive price. Thus, whilst speculative land development has always been an important part of the housing production process in Australia, from the mid-1960s onwards only a small proportion of housing (around 10 %) has been built on a speculative basis. Rather, the majority of dwellings are contracted by individual purchasers before construction.

Australian Housing and Urban Policy Under Neoliberalism and the Sustainability Agenda

By the early 1980s, neoliberal economic ideas were increasingly influencing public policy in Australia, with profound implications for the housing market and urban development. Financial deregulation made mortgage finance more accessible, but sharp interest rate rises (up to 17 %), led to a ‘crisis’ in affordability and a volatile housing market over which time insecurity over home ownership grew:

“For more than a decade, Australians have been confronted by headlines announcing the death of the Great Australian Dream, as prices have risen, fallen and risen again. According to the media, Australians are confronted by a ‘crisis’ if rising prices make home purchase more difficult and another ‘crisis’ if prices fall.” (Paris 1993, p. 159)

The state housing authorities remained active in new housing production until the late 1980s, although tenant ‘right to buy’ schemes, meant that stock was not retained in the sector. Thus although around 12 % of total housing output in the mid-1980s was funded under the CSHA, only around 6 % of households resided in public housing (Troy 2012). Over time responsibility for housing assistance became concentrated within social welfare portfolios which caused a narrowing of housing policy and deepened the chasm between housing and urban planning in Australia.

For their part, state planning authorities were confronting both a crisis in funding for new infrastructure provision alongside increasing environmental concerns over the impacts of urban sprawl. Urban containment policies—which emphasised compact forms of housing and the reuse of former industrial ('brownfield') sites, already popular in the UK, began to represent an antidote to both environmental concerns and the shortage of funds for infrastructure (Searle 2007). Urban containment—or 'consolidation' as it is often called in Australia—was also thought to be an important tool for introducing greater housing choice and diversity in line with demographic change.

By the late 1990s, urban consolidation was the espoused paradigm for Australian metropolitan planning (Burke and Hayward 1992, Forster 2006, Bunker and Searle 2009). Although the majority of new housing continued to be detached single family cottages built in greenfield sites, the states began to encourage higher-density urban renewal projects in inner ring areas. In many cases these were delivered by special purpose development corporations with a mixture of public and private finance). These renewal projects—East Perth and Subiaco in Western Australia, Southbank and Docklands in Melbourne, Pyrmont/City West later Victoria Park/Green Square in Sydney, sought to redefine Australian urbanism by demonstrating attractive forms of higher-density housing (from townhouses to 3–4 storey apartments and later multi-storey towers) situated within a well-landscaped and naturally vegetated public realm. Despite the considerable public investment in these projects, affordable housing outcomes, if any, were minor.

Over time and as implemented through incremental adjustments to local planning schemes via site or precinct specific rezonings, the urban consolidation agenda has led to a bifurcation between high-density inner ring and public transport nodes (with planning controls often permitting high-rise towers) and planned housing release areas on the urban fringe. Whilst local councils were initially able to resist densification in established suburbs, over the past 20 years states such as NSW have been able to enforce consolidation policies through state planning laws able to override local controls. On the one hand, this has meant that any constraints to higher-density housing development are primarily market

driven (i.e. depend on feasibility) rather than held back by restrictive local planning regimes. On the other hand, abrupt changes to the traditional, low-density fabric of suburban Australia are at the heart of resident concerns over urban intensification efforts:

“Under Australian conditions it is clearly apparent that retrofitted high density is *less sustainable* than single-residential. [...] Urban consolidation is an imposed cancer growing unchecked throughout our suburbs. It is a cancer of increasing high-rise monotony, minimal variety, paved surfaces, worsening mental and physical health and a drain on the resource and well-being of our people and of our environment.” (Save Our Suburbs 2016, p. 1, original italics)

Whilst many of the major developers have become actively involved in redevelopment and renewal sites, the housing and property development industry also criticised the urban consolidation policy for ‘artificially constraining’ the supply of land for residential development. Concerns increased in the new millennium when it was perceived that the majority of easily developed sites had been taken up with remaining sites subject to environmental or community based constraints.

“Many State Government planning policies now favour urban consolidation at the expense of suburban growth. At the same time, suitable infill sites are difficult to acquire, they are prone to greater risks of political intervention (NIMBYISM and Save our Suburbs) [...] the chronic undersupply of land for housing is crippling the affordability of new housing. State and Local Government policy failures are adding to the housing affordability crisis and a new focus on land supply is needed if the Australian tradition of home ownership is to survive the current generation.” (Property Council of Australia 2007, pp. 2–4)

These statements were the latest in a stream of industry grievances over Australian urban policy and regulation, dating from the early complaints of the Master Builders’ Association in the nineteenth century (Freeland 1972; Marsden 2000; Sandercock 1975).

The Great Australian Nightmare: Contemporary Housing Pressures and Urban Policy Responses

If housing affordability pressures in the 1980s were linked to high interest rates and the difficulties of obtaining a loan, by the 1990s falling interest rates and easy finance had begun to fuel a new housing boom (Beer 1993; Yates 2011). Cash grants for first home buyers were introduced in the year 2000, initially to cushion the impacts of a new Goods and Services Tax (GST), and were later used to stimulate demand for new housing following the GFC, exacerbating inflationary pressures (Berry and Dalton 2004; Yates 2011). All of these factors combined with ongoing support for ownership in the form of highly advantageous taxation arrangements for owner occupation and property investment.

As in previous decades, a series of inquiries and special working groups (summarised in Table 9.2) have investigated housing affordability concerns, commencing with a Productivity Commission report on barriers to home ownership (2003). In addition, between 2008 and 2013 a quasi-independent National Housing Supply Council (NHSC) was formed to advise on aspects of the land and housing supply pipeline and overall affordability trends (NHSC 2014).

The NHSC declared that Australia faced a shortage of around 85,000 dwellings, based on a projected gap between estimated household formation rates and new housing production since the year 2000 (National Housing Supply Council 2009). The Council also found that if new social housing production had kept pace with the level attained in 1996,

Table 9.2 National level inquiries relating to housing

Year	Inquiry/Report
1943	Commonwealth State Housing Commission
1978	Committee of Inquiry into Housing Costs
2003	Productivity Commission: <i>The costs of first home ownership</i>
2008	Senate Select Committee: <i>A good house is hard to find: Housing affordability in Australia</i>
2012	Council of Australian Governments (COAG) Reform Council: <i>Housing Supply and Affordability Reform</i>
2015	Senate Economics References Committee: <i>Out of Reach? The Australian Housing Affordability Challenge</i>

Source: The authors

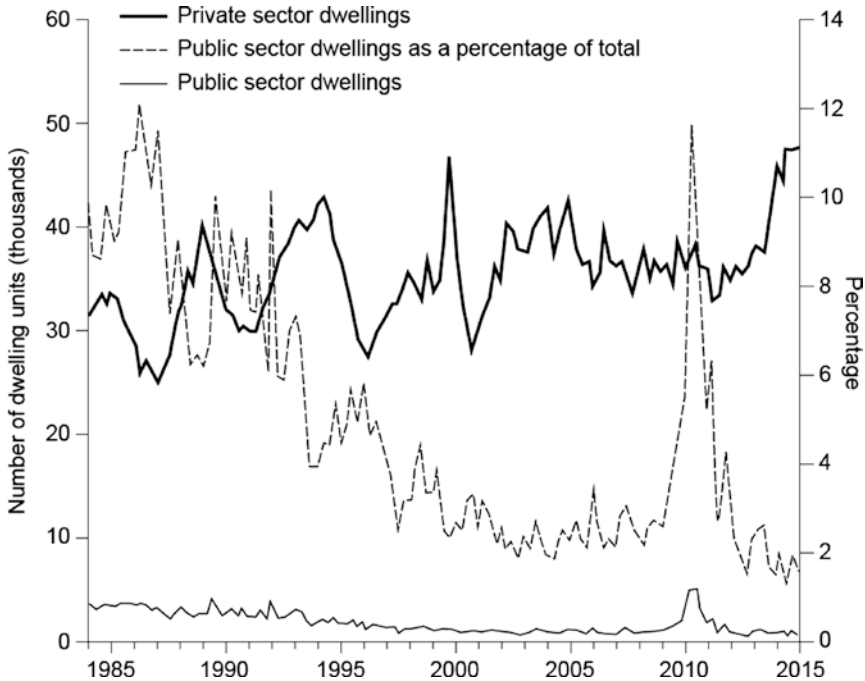


Fig. 9.1 Housing provision in Australia, public and private sector output, 1984–2015

(Source: ABS 8752.0 (Table 37, Seasonally adjusted flow))

an additional 90,000 dwellings would have been produced by 2008, which would amount to a modest surplus (NHSC 2009). Had the NHSC Council used the early 1980s as the base reference, this surplus may have even been higher. Figure 9.1 shows the changing rates of public sector dwelling production from a high of around 12 % of total output in the mid-1980s, to around 2 % in 2014/15. The marked exception during this period was short-lived economic stimulus funding for social housing in the context of the GFC (which funded almost 20,000 dwellings), and a tax incentive for affordable rental housing construction (the *National Rental Affordability Scheme [NRAS]*) which operated between 2009 and 2014 and supported the construction of around 37,000 units.²

²Modelled on the US Low Income Housing Tax Credit scheme, Australia's NRAS offered \$100,000 in Commonwealth and State tax credits over 10 years, provided that units were rented to an eligible household at 20 % below market rents for the decade, after which period the affordable obligation ceased.

Overall, Fig. 9.1 shows a volatile pattern of housing production between 1985 and 2001. In the mid 1990s, ‘negative gearing’, a tax benefit which allows investors to offset the costs of mortgage finance and other expenses against their whole income was introduced, briefly removed, and then reintroduced. In 1999, the pending introduction of a Goods and Services Tax (GST) which would affect housing construction costs by around 10%, moved production forward for some projects, which explains the sudden drop in new housing starts by 2001. In the same year, the introduction of a capital gains tax discount (halving the tax payable on assets, including investment properties, held for over 12 months) further stimulated the housing market, whilst capital gains on the sale of the primary home continued to remain tax-free.

Much of the anxiety about sluggish housing production occurred over the decade between 2004 and 2014 during which period output appeared to stagnate at the tail end of the 1996–2004 boom). However, in the context of a rising market and with mortgage interest rates at an all-time low, in 2013/14, rates of new housing supply did begin to rise as shown in Fig. 9.1. This increased output continued on the back of rising property prices (especially in the capital cities) where homes for moderate- and low-income owners are generally out of reach.

A number of factors explain the steep house price inflation which occurred during the 1996–2004 boom and has continued in the years following the GFC. Yates (2011) points to the mid-1980s/early 1990s, during which time wages increased along with female workforce participation (and the rise of dual-income households), whilst access to mortgage finance became much easier, boosting demand for housing. Investor activity in Australia’s housing market has also been an important part of this story, with investor loans increasing during the 1996–2003 boom and again between 2013 and 2015 (Gurran and Phibbs 2016).

By the new millennium, house price inflation exceeded income growth, and rates of absolute home ownership began to decline (Fig. 9.2). The effects of this are shown most clearly when looking at the tenure propensities of couples aged between 25 and 34 years. In this cohort the proportion living in private rental accommodation has climbed by over 10 % between 2001 and 2011 (Fig. 9.3). In part, this shift may be explained by changing demographic patterns, such as extended periods

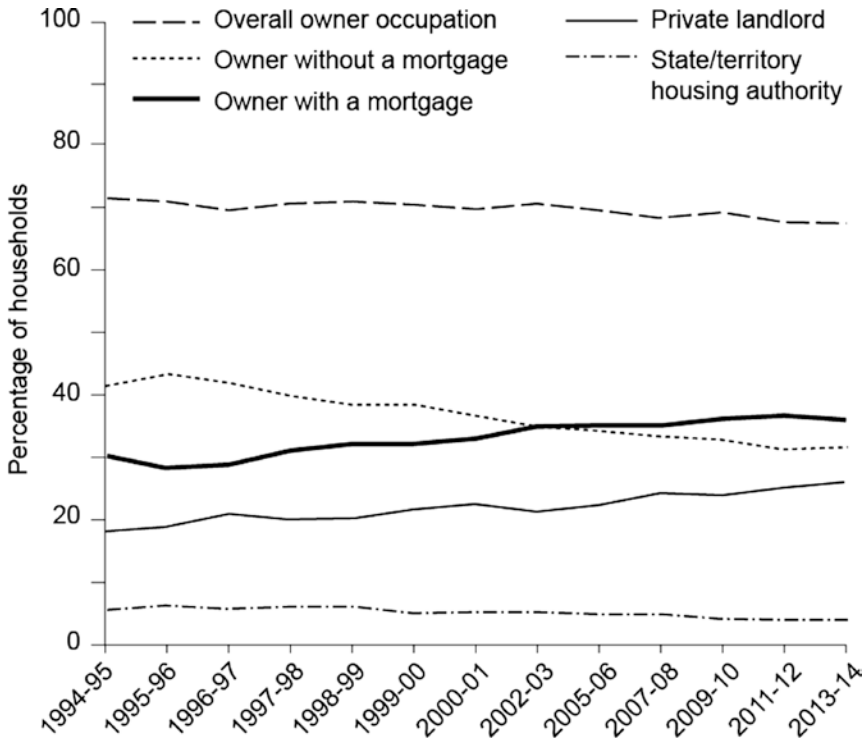


Fig. 9.2 Housing Tenure Australia 1994–2014
(Source: ABS 2014 Cat 6416.0 (Table 4))

of study in tertiary education. But housing affordability pressures have clearly affected the capacity for Australians to enter and sustain home ownership (Yates 2011, Beer and Faulkner 2009). Increased demand for rental accommodation by aspiring home owners also places pressure on the private rental market, exacerbated by the declining supply of social housing. By 2011/12 the proportion of households in social housing had dropped to 3.9 % as shown in Fig. 9.2.

Concern over the perceived impacts of the planning system on new housing production persisted over the decade despite a series of significant reforms to state planning systems (see Gurrán and Phibbs 2013; Ruming et al. 2014). Consistent with the tone of public discourse at the time, in late 2012, Council of Australian Governments (COAG)

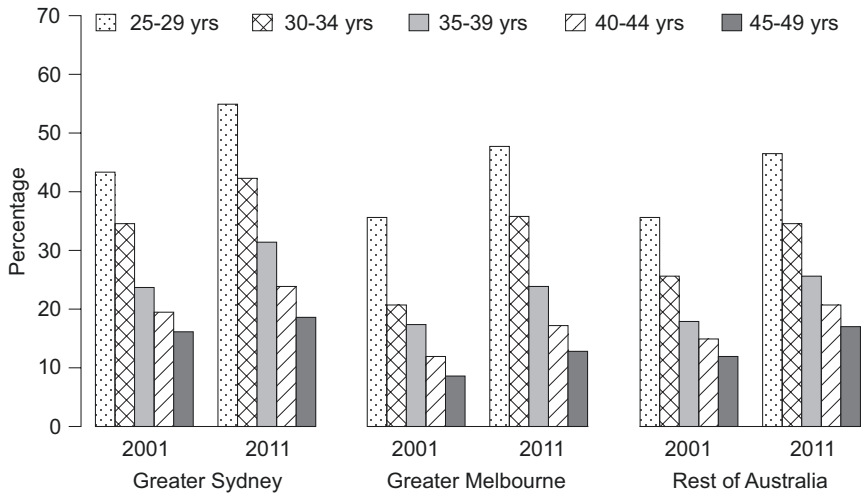


Fig. 9.3 Partnered persons aged 25–49 years by five-year age groups: percentage living in rental accommodation, Sydney, Melbourne and Rest of Australia, 2001 and 2011

(Source: Derived from Birrell and McCloskey 2016, p. 6, original based on ABS Census data)

declared a new housing agenda which again called for state planning system reforms to boost housing supply and improve affordability (COAG Reform Council 2012). By this point, the NHSC estimated the national housing shortage to be in the vicinity of 284,000 dwellings, which it based on projected rates of household formation and estimated net new dwelling construction.

The Role of Planning and Other Factors Impacting on Housing Supply and Affordability in Australia

To what extent might planning system constraints or demand side effects explain Australia's high house prices? Gurran and Phibbs (2013, 2015, 2016) have examined charges against Australia's planning system, which

may be loosely summarised in relation to land supply, development controls, inefficiency and delay, and excessive infrastructure levies. On the question of land supply the NHSC (2008) (drawing on data supplied by planning agencies and industry bodies), concluded that existing reserves of broad-hectare (greenfield land) across the eight Australian capital cities were sufficient for more than a decade’s total supply of dwellings. Another indicator as to whether Australia suffers from a shortage of housing land is the price of residential lots. Examining rates of greenfield lot production against median land values per square metre, the Productivity Commission (2011) found that prices plateaued around 2002–03 and did not rise over the following six years despite a sharp downturn in the number of new allotments created. Sydney’s current pipeline of greenfield land is sufficient to accommodate at least 166,808 dwellings (well over a decade’s

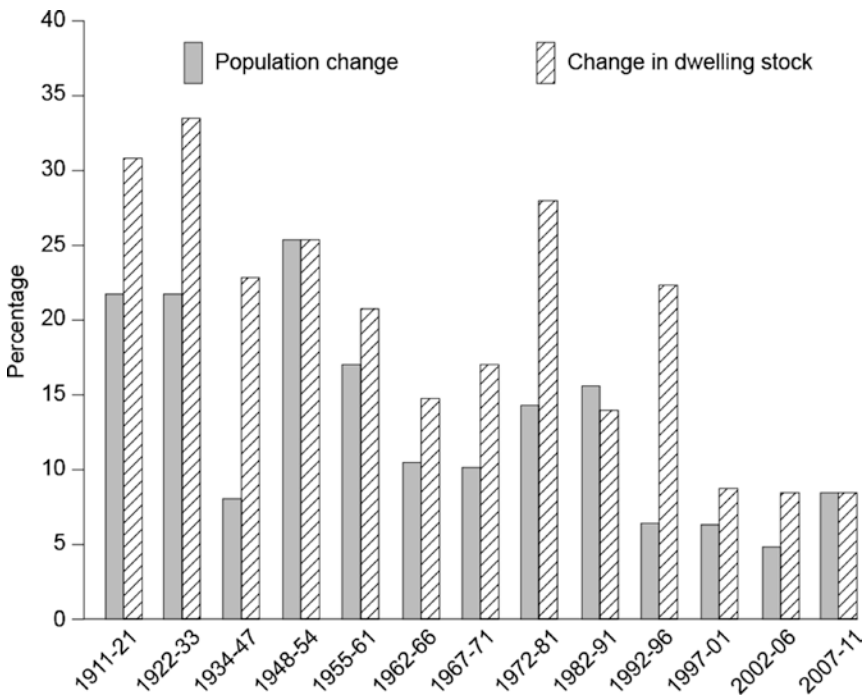


Fig. 9.4 Australian Population, Household & Dwelling Growth 1911–2011 (Source: ABS Census various years)

supply of new suburban growth based on current figures), and over 5000 zoned and serviced allotments remained vacant and available for sale or building in mid-2015 (NSW Planning and Environment 2015).

In relation to indicators of planning system ‘certainty’, ‘speed’ and the overall burden of regulation, again evidence to support the notion that Australia’s state and local planning processes are holding back housing production seems thin. For instance, comparing ‘performance’ data on the decision speed and approval rates of local authorities in Melbourne and Sydney, Gurran and Phibbs (2013) found few patterns, with overall rates of approval consistently high (above 90 % of applications are approved in NSW) and decision times very similar in both jurisdictions. Differential rates of housing production thus seemed to reflect more differences in local market cycles rather than planning system efficiencies. The question of whether rising development contributions for infrastructure have impeded housing development is more difficult to examine, but qualitative research (Gurran et al. 2009) suggests strongly that development charges have been incorporated into feasibility assessments and factored into bids for raw land. In jurisdictions such as NSW where contribution requirements have been volatile (due in part to changing state regulations), and in Victoria and Queensland where new infrastructure charging systems were introduced in the early 2000s, industry sources did report frustration with charging regimes. But rather than objecting to the idea of infrastructure charging overall, many expressed a strong desire to ‘self-provide’ facilities (such as recreational centres or road upgrades) rather than depend on the capital works programmes of local governments. Critically, informants advised that infrastructure charges are not simply ‘tacked on’ to the final price of a residential lot or dwelling but rather that prices reflected the current market value at the time of sale (Ruming et al. 2011).

One issue not fully examined in the Australian context at least, is the question of what happens to potential housing development once planning permission is secured. Figure 9.5 shows the changing relationship between the stock and flow of housing consents in NSW, with the backlog (stock) of sites with permission to build but which have not yet commenced construction. As shown, whilst the number of dwelling proposals applications/approvals coming forward shows variability over the period (ranging from around 5000 approvals to about 13,000

approvals in a single quarter), the overall stock of approvals ready to commence has remained much steadier, at around 10,000 dwellings at any one time. Although there has been a tendency to focus on changing rates of dwelling approval, with low approval rates interpreted as one indicator of planning system constraint, in fact, the real picture as shown in Fig. 9.5 might suggest one of market responsiveness, with permitted projects brought forward in response to changing market demand.

In the final evaluation of Australia's planning systems and potential impacts on housing development, some important comparisons between the UK and the USA can be drawn. Firstly, although there has been a policy emphasis on urban consolidation and containment in Australia, this has not been at the expense of greenfield development, which has continued to occur, although the market preference remains focussed on established homes in existing suburbs as noted by the Productivity Commission in 2004. Second, the deliberate use of local planning controls as an instrument to maintain social exclusivity as has occurred in the USA does not have a direct parallel in Australia where state government

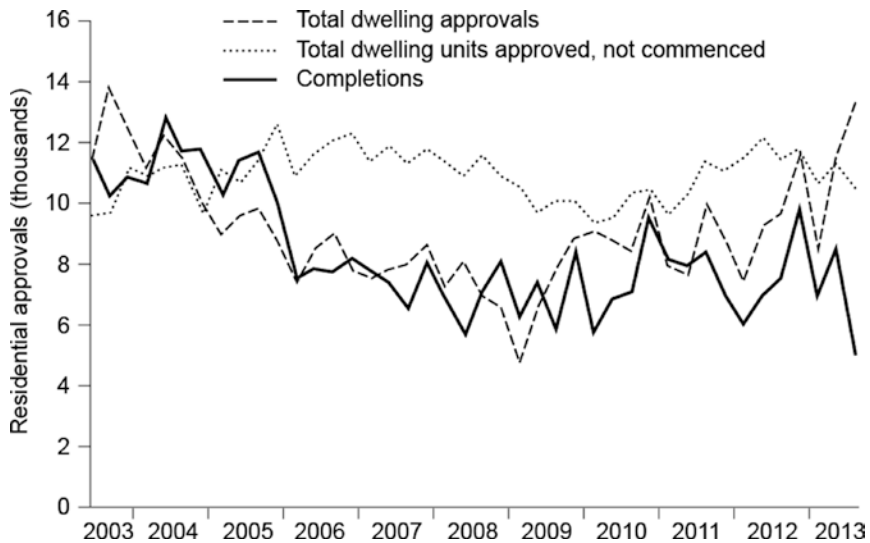


Fig. 9.5 Stock and flow of residential approvals in NSW 2003–2013 (Quarterly)

(Source: ABS 8750, Table 80)

policy or oversight can often override local controls, particularly in the highest value markets of Sydney, NSW (Gurran 2011). However, there is some evidence of third party appeals providing an opportunity for exclusionary behaviour in parts of Melbourne, Victoria (Taylor 2013).

A deeper explanation for Australia's mounting housing affordability crisis lies in its concentrated settlement structure. The shift away from regional development and public infrastructure development in the 1970s and 1980s probably reinforced the increasing economic primacy of the state capital cities, although this may also have reflected global and sectorial economic trends whereby the more dynamic sectors tended to cluster in the major cities (State of Australian Cities 2015). Either way, this capital city primacy has meant inherent supply constraints and a growing premium for housing anywhere within commuting distance of the employment centres (Productivity Commission 2003).



Illustration 9.1 'Self-build' housing, greenfield suburb, Australia. *Despite the increasing tendency towards high-density housing in inner suburbs, greenfield housing development continues in outer suburban Australia. The size of residential allotments has shrunk, but new homes are getting larger. This is sometimes called the 'McMansion' phenomenon.* (Image credit: Sam Phibbs 2015)

At the same time, the failure to implement value capture mechanisms, when land is rezoned and when planning rules are varied, has left the state and local planning agencies unable to recoup the significant windfalls accruing to private landowners from planning decisions (Gurran et al. 2008). Similarly, infrastructure investments such as public transport schemes also have the effect of raising property values without any associated mechanism for securing an affordable housing outcome.

Further, the capacity to deliver affordable housing through projects led by government development corporations has been limited. Those states which retained land development functions (e.g. NSW, Victoria, Western Australia, South Australia, the Australian Capital Territory [ACT]) reorganised in the 1980s and 1990s around a corporatised model (Gleeson and Coiacetto 2005; McGuirk and Dowling 2009). Whilst retaining social goals within their corporate charters, in most jurisdictions affordability goals appear to have been subsidiary to the quality of physical development outcomes and maximising commercial returns to government.

The positive wealth effects of rising property prices are recognised by all levels of government, and the latent political influence of property remains a powerful explanation for the persistent focus of Australian housing policy. This has led to a growing inequality of tenure-based wealth with home owners able to accumulate much greater assets than renters (Fig. 9.6). Although there have been periodic debates over the impacts of tax incentives for property ownership, these have usually been stifled in favour of the status quo (Yates 2010). For instance, at the height of concerns over a property bubble in 2015, former Prime Minister Tony Abbott famously declared that he welcomed the increased value of his home and accused the opposition of trying to engineer a fall in property prices (Hurst 2015).

A year later, similar comments were made by his successor, Malcolm Turnbull, in reaction to proposals by the (opposition) Labor Party to wind back generous tax incentives for property investment, and reduce the discount on capital gains (Massola 2016). The Property Council of Australia raced to defend the current system of entitlements, likening the housing market to a fragile house of cards. Its well funded campaign, which broadcast on national television, carried the implicit message that national economic stability—and household wealth—would collapse if proposed changes to tax benefits were introduced (Property Council of Australia 2016).

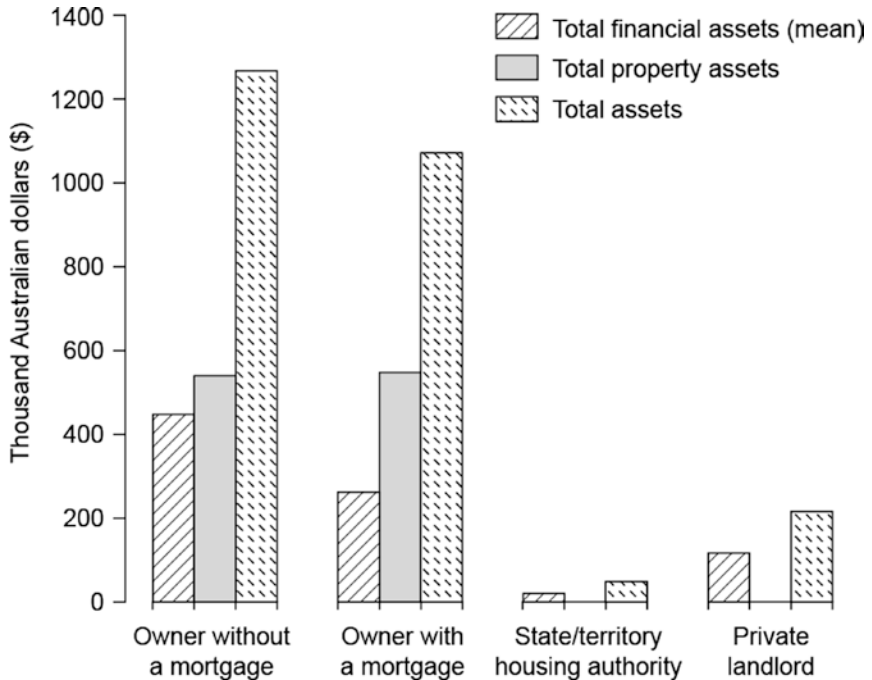


Fig. 9.6 Net household wealth and wealth distribution, Australia, by Tenure and Landlord Type 2011/12
 (Source: ABS Cat 65540, Table 18)

As in other nations, foreign real estate investment has been another issue to emerge in the context of growing anxiety over price increases in the capital cities, particularly Sydney and Melbourne. Although rates of foreign investment in Australian real estate have grown in recent years, this has been concentrated in particular markets (such as off the plan apartments) and overall impacts are likely overstated (Rogers, Lee and Yan, forthcoming). Nevertheless, responding to negative media attention in 2015, the federal government launched a parliamentary inquiry into the issue, ultimately resulting in new laws for foreign ‘rule breakers’ as well as a new administration fee on purchases (Fuary-Wagner 2015) but little substantive action to overcome barriers to first home buyers or to increase the supply of affordable rental accommodation (Rogers, Lee and Yan, forthcoming).

The following remarks made by Prime Minister Malcolm Turnbull in March 2016 sum up the position which appears to have been followed

by both sides of Australian politics since at least the turn of the new millennium:

“My Government recognises that the family home is the most important single asset for just about every family, and it is the largest single asset class in Australia [...] But time and time again, we are told that the real problem is not too much demand, but too little supply. Let’s face it, every dwelling built in Australia - whoever owns it - adds to our national wealth. Study after study tells us [...] that it is restrictions on supply, planning restrictions, restricted land supply, inadequate transport infrastructure which drives up prices. [...] And that is why we are tackling housing supply at many levels in our economic plan. At the demand level, we are enforcing existing foreign investment rules to ensure foreign investment in housing is directed to create new housing stock. We will work on the supply side with States to review planning and zoning regulations to make housing supply more responsive—through reforms ...” (Turnbull 2016)

For their part, state governments have also tended to deflect any potential blame for affordability pressures, for example, by accusing recalcitrant local councils of restricting new housing supply through slow and inconsistent development assessment or rezoning practices. Concerns about housing supply and affordability have provided a key rationale for state planning system reform (Gurran and Phibbs 2013), showing a parallel with experience in England. But despite continued appetite for planning system reform generally, there has been very limited support so far in Australia for reforms designed explicitly to increase the supply or support the inclusion of affordable homes as part of new development.

Planning for Affordable Housing in Australia

State and territorial programmes for supporting affordable housing supply through the planning process are summarised in Table 9.3. As shown, inclusionary zoning requirements apply in only three jurisdictions, whilst planning concessions or density bonuses to secure affordable housing exist in four. There has been more extensive use of government land as part of wider redevelopment efforts, although the proportion of affordable housing delivered on public sites has varied from nothing to around 15 % of new

Table 9.3 Summary of state programmes to support affordable home ownership/rental housing development through the planning and housing development process

State/ territory	Inclusionary zoning	Density bonus/concession	Govt. land able to support affordable housing schemes ^a	Shared equity scheme	Government loans for eligible households
ACT	15–25 % target, new land release	Applies to affordable home ownership scheme	Yes	Expired	Expired
NSW	In designated parts of inner Sydney	Statewide policy, to encourage affordable rental housing	On an ad hoc basis		
NT			Yes		Subsidised loans for eligible households
QLD			Limited		
SA	15 % target for residential zones (applied on rezoning)	To support achievement of target	Yes	For eligible households	For eligible households
TAS					
VIC			Limited		
WA			Yes	For eligible households	For eligible households

^aIncluding via government land development organisations
(Source: the authors, drawing on Gurran et al. 2008; Milligan et al. 2009; Davison et al. 2012)

dwellings (increasingly the case in South Australia and the ACT). In South Australia and Western Australia, low-cost home ownership initiatives have been supported by special shared equity and loan finance schemes. These ensure that low-cost home ownership products are accessible to the target groups of lower- and moderate-income working households.

The politics of housing policy have also acted to inhibit local governments in using their planning powers to secure dedicated affordable housing opportunities. Constraints in state planning politics and restrictive legislation have inhibited the development of inclusionary schemes, often reflecting the influence of the property industry which has maintained strident opposition to mandatory inclusionary zoning (Gurran and Phibbs 2016). Further, local councillors may face the wrath of well-heeled residents if they support significant change to established neighbourhoods, whilst others are also unwilling to alienate potential developers by introducing affordable housing obligations. There is long-standing local ambivalence or hostility towards public or affordable housing, which retains a stigma associated with the (now) residualised and unsympathetic developments of the 1970s and 1980s. Particular hostility erupted during the rapid roll out of social housing projects between 2009 and 2012 under the federal government's economic stimulus package (Davison et al. 2012; Ruming 2014). Even when local councils are willing to address affordable housing, they lack the formal responsibility for housing assistance and resources to deliver housing programmes, in contrast to their counterparts in the UK and the USA.

Nevertheless, to the extent to which inclusionary housing models have evolved, they have largely been driven by local government (as summarised in Table 9.4). As shown, the Port Phillip Housing Association, established by the local council in that part of Victoria, has delivered approximately 560 affordable dwellings since 1985, through a combination of negotiated planning outcomes and council land and resources (Gurran et al. 2008). In Queensland, the Brisbane Housing Company, established by the Brisbane City Council, in partnership with the State Government, has a portfolio of over 700 properties, supported by planning system concessions to facilitate its developments (Davison et al. 2012).

In NSW, a number of inner city authorities, including the City of Sydney, Waverley, North Sydney and Willoughby councils have sought to secure affordable housing contributions through their local plans.



Illustration 9.2 Affordable housing (foregrounded), Green Square, Sydney. (Image credit: Sam Phibbs 2015)

A modest inclusionary zoning scheme (applying to the Pyrmont/Ultimo urban renewal and later Green Square schemes since 1996, Fig. 9.2) has not, however, been permitted to extend to other development areas. Instead, after much prevarication, the state government introduced new provisions for a range of affordable housing outcomes under the *State Environmental Planning Policy (Affordable Rental Housing) 2009* (Davison et al. 2012). This policy reinforced existing provisions for retaining existing low-cost stock and slowing its loss, and introduced a standard density bonus for projects incorporating affordable rental housing. The policy also encourages low-cost private sector development by making accessory dwellings (popularly called ‘granny flats’) and boarding houses (single-room occupancy dwellings) permissible in residential zones.

Other states have a shorter history of planning for affordable housing inclusion, aside from individual initiatives driven by particular local councils as outlined earlier. Queensland’s Urban Land Development Authority (ULDA) was formed in 2007 to unlock new housing supply on large residential redevelopment sites in high growth areas. The ULDA

Table 9.4 Key inclusionary housing initiatives, Australia (1980s–2015)

State	Project/Scheme	Mechanism	Timeframe	Outputs
NSW	<i>State Environmental Planning Policy 2009 Affordable Rental Housing</i>	Levy collected to mitigate the loss of certain low-cost accommodation (used for local housing programmes) Density bonus for projects incorporating affordable rental housing	(initiative began in mid-1980s)	Data not reported
	City of Sydney inclusionary housing schemes (enabled by measures in Sydney Local Environmental Plan 2012)	Mandatory contribution requirement (between 0.1 and 3 % of residential/commercial floor area/per square metre monetary equivalent)	1996–	100 dwellings (Green Square) 450 (Ultimo Pyrmont)
	City of Sydney/Redfern Waterloo Development Authority (now within state development organisation, Urban Growth)	Negotiated contributions (within the framework of Redfern Waterloo Affordable Housing Contribution Plan; around 3 % of residential floor area)	2006–	\$32 million (Carlton United Brewery site, but used in Redfern Waterloo development area)
	Canada Bay NSW Randwick, NSW	Voluntary negotiated agreement Mandatory contribution	2007 2006	24 units 15 units, (in 3 developments) 28 units
	Waverley, NSW	Incentive (density bonus) Planning agreements (10 % of all agreements contribute to affordable housing fund)		

(continued)

Table 9.4 (continued)

State	Project/Scheme	Mechanism	Timeframe	Outputs
	North Sydney NSW	Contribution requirement (certain areas)	1998	41 dwellings and 2 boarding houses (drawing on local contributions + other council resources)
	Willoughby NSW	Contribution requirement considered (when land rezoned)	1999	10 units (by 2008)
South Australia	New residential areas, residential 'upzonings'	15 % affordable housing inclusionary requirement	2006–	4016 low-cost home ownership dwellings delivered (by 2013)
ACT	New residential areas, renewal areas	20 % inclusionary requirement (new land releases including land rent)	2007–	286 affordable sites sold 2014–2015; 2643 land rent sites 2011–2015

Sources: Gurran et al. (2008), Davison et al. (2012), Economic Development Directorate (2015)

specified a minimum target of 15 % of dwellings to be affordable to low- and moderate-income households (ULDA 2009). These targets were to be achieved, in part, through adjustments to lot sizes and planning codes. However, the ULDA was disbanded in 2013, when its functions were folded into 'Economic Development Queensland', a commercialised business unit of the Department of State Development, Infrastructure and Planning, leaving future affordable housing outcomes unclear.

In 2006, landmark amendments to South Australia's *Development Act 1993* enabled local plans to include provisions for affordable housing under a state affordable housing target to deliver 15 % affordable housing in new development areas (Davison et al. 2012). The planning provisions were initially applied to the redevelopment of government sites but have increasingly been included when major new residential areas are released or rezoned to allow higher-density development. In contrast to the NSW approaches which have focussed on the development of affordable rental housing for management by a social housing authority, most dwellings secured through the South Australian model are intended for sale to eligible moderate-income earners (up to 120 % of the area median). The model requires developers to demonstrate how their projects will achieve the affordable housing targets, and to release a set number of dwellings for sale to eligible households at an agreed price within a defined affordability range. As noted, the programme is supported by a government mortgage scheme which ensures that eligible households are able to access home finance. This approach has yielded a steady stream of dwellings, with around 4000 homes produced between 2006 and 2012 (Austin et al. 2013).

In the ACT, a leasehold system of land³ has enabled the territory government to support more ambitious affordable housing targets (15–20 %) in new build and urban infill contexts. The housing has been produced through design solutions, such as smaller allotments and building diversity typologies which reduce costs. A 'land rent' scheme where households buy or commission a home but lease the land, is the major delivery vehicle for the affordable housing goal (ACT Planning and Land Authority 2010, Economic Development Directorate 2015).

³The leasehold system in the ACT dates from its establishment as the national capital and was intended to reduce the potential for land speculation in the capital's development.

In Western Australia, the state government announced a commitment to deliver 10,000 affordable homes by 2015. Rather than delivery through the planning system alone, a combination of levers including the use of government land, housing design and finance innovations has been pursued. The target of 10,000 affordable homes was achieved five years ahead of schedule, and the government promptly committed to another 5000 dwellings (Government of Western Australia 2012, Government of Western Australia 2015).

Thus, within Australia, there are signs of renewed commitment to affordable housing inclusion in South Australia, Western Australia and the ACT. Rhetorical commitments towards addressing affordability problems and supporting affordable housing development in the other states continue, although the extent to which ostensible concern will result in new policy action remains unclear.

Conclusions: Planning For or Against Affordable Housing in Australia

To what extent does Australia's particular approach to urban planning, land supply and housing provision influence patterns of housing development and affordability? As outlined, for Australia's white settlers in the first century of colonisation, achieving home ownership—freedom from landlords and economic independence—symbolised a dream not able to be realised in Great Britain or Ireland. The form of housing settlement that evolved first moved outwards from the cities in defiance of regulation, and later, as a consequence of suburban bylaws which came to create the character of Australian neighbourhoods defined by detached houses and gardens. The cultural meaning of this housing typology remains highly significant to some sectors of the community, with vocal resident groups mobilising a very powerful rhetoric against planning policies to increase housing density within existing neighbourhoods.

The provision of land and housing was and remains driven by private developers, with only a very small social/non-profit sector albeit one that has seen significant growth in recent years (Milligan et al. 2009; Gilmour and Milligan 2012). Thus, the capacity for state and local governments

to intervene proactively to secure public benefits such as affordable housing from the planning process has been limited. The issue of planning for affordable housing is opposed both by residents who resist change in their neighbourhoods and also by the development sector which resists inclusionary housing models as a form of increased regulatory intervention. Governments in most Australian states have paid heed to these views.

Political emphasis has focussed on sustaining the existing status quo whilst pointing to planning constraints on new supply as an explanation for declining affordability. These arguments do not seem supported by the evidence. Far less attention has been paid to the more obvious cause of falling housing supply—reduced social housing provision and affordability constraints which reduce an important sector of the new housing market. Nevertheless, given limited government funding for social and affordable housing and the increasing needs of low- and moderate-income groups, the question remains whether planning reform should enable more direct and systematic affordable housing inclusion in new development, or more direct intervention in the land development process.

In common with the other case study countries examined in this book, it is clear that Australia's housing market is contributing to a deepening inequality of wealth and access to opportunity. Questions about housing preference and urban living are writ large across Australian cities and their suburban hinterland, with new development often taking the form of multi-storey residential towers in the inner and middle rings, in stark contrast to the lower-density cottages which continue to define the national housing stock. At the same time, the environmental and economic arguments for urban consolidation in Australia remain unresolved, complicated by the many layers of cultural and political meanings imbued within notions of land, home and property.

In sum, what might be learned from the Australian experience? In our view, the Australian case highlights the dangers in relying almost entirely on the private market to deliver new housing, particularly in the face of intense national and international demand side pressures. Australia's recent record of sluggish housing production also suggests that supply side constraints can occur even in the context of abundant land and liberal permissions for housing development, when the economic

geography of a country is highly centralised. Finally, the case of Australia seems to exemplify the dilemmas arising when there are few or no opportunities for value capture in the urban development process. Under these circumstances, the value of public infrastructure investment, planning decisions and outcomes (such as well-designed and accessible neighbourhoods) will be capitalised into house prices and rents, benefitting existing property owners but intensifying affordability pressures for renters and those trying to enter the market.

Part III

Implications for Policy and Practice

The following chapters draw on the previous parts of the book to present more operational approaches to undertaking housing need analyses and developing local strategies for promoting adequate supplies of moderately priced housing across the market. Chapter 10 introduces the notion of local and regional housing strategies which provide a basis for identifying and responding to housing needs and market trends in a coordinated way, bringing together different stakeholders, sources of evidence, policy levers and government resources. While the scope and format of local or regional housing strategies differ between jurisdictions, increasingly these instruments are expected to address a set of policy objectives and themes which are increasingly universal—emphasising the dimensions of appropriate, adequate and affordable housing within environmentally sustainable neighbourhoods which offer opportunities for a healthy and socially engaged way of life. If the overarching objectives for local housing strategies are somewhat universal, the specific housing needs and market characteristics of a local area, along with the parameters for policy intervention through the planning system are often quite distinct. Chapter 10 therefore provides guidance for building the evidence base needed

for an effective local strategy by undertaking a housing need and market analysis, and formulating potential responses to a range of housing needs and market contexts. Chapter 11 explains the rationale and policy arguments for addressing at least some of these needs, by promoting affordable housing through the planning system. The final chapter pulls the different threads of the book together to highlight a set of common issues and emerging lessons.

10

Developing Regional and Local Housing Strategies

Introduction

With the exception of small city-states such as Hong Kong, planning investment and implementing policies to achieve desired housing outcomes has a significant local/regional dimension, because of the intrinsic features of housing—durability, spatial fixity, slow supply adjustment, externalities and information problems (Maclennan 1991; O’Sullivan 2003). Thus, it is not surprising that a number of countries have come to find a need to have systems for developing regional and/or local housing strategies. In some instances such as the UK, this reflects a long tradition of local government playing a strong role in housing and planning, while in other instances, such as the USA, local housing strategies may be a way of implementing top-down policies or programmes (Varady 1996). In Federal systems, the ‘state’ government may play the dominant role in defining housing targets and the parameters for new housing development, as in Australia where particularly for the main cities there is a need for city-region scale planning, beyond the remit of individual municipalities.

Some of these local housing strategy systems have quite a long history, as in Britain where they date from 1978, while others may be more recent

(Bramley et al. 1980; Varady 1996; Lawson and Milligan 2007). The motives for introducing or changing local systems may vary. For example, they may be a way of getting local authorities to think more creatively about alternative means to meeting housing ends, or a way of sugaring the pill of cuts in investment resources, or a vehicle for getting national government ministers' pet programmes implemented, or a competitive approach to resource allocation, or a way of getting local authorities to talk to other stakeholders. However, these systems remain embedded in the classic 'comprehensive rational' planning model. As such, local housing strategies are expected to contain such elements as a broad 'vision' for the area and its housing; consultation with local stakeholders about problems, issues and possible responses; a sound information base and analysis of the current situation and trends; clear priorities and objectives; appraisal of alternative options; and an implementation framework (O'Sullivan 2003, p. 222, citing Bramley et al. 2000). Whether actual practice lives up to these ideals, to any degree, is a moot point (Audit Commission 1992; Barlow et al. 1994; Varady 1996; O'Sullivan 2003; Blackaby 2000).

Nevertheless, regional housing strategies can provide a mechanism for identifying and responding to housing needs in a coordinated way, taking these spatial and administrative mismatches into account. In many nations, it is also the case that the housing system itself has bifurcated between 'private' and 'public' (government funded and managed) housing provision. While in many cases local authorities have responsibility for regulating overall housing development through their planning functions, as well as direct provision of subsidised housing, these roles are often undertaken by different departments. Varady (1996) found that in the 1990s, these two 'arms' of planning for housing were not working together in Scottish cities, while doing so only imperfectly in England. In other nations, local planning functions have focussed specifically on regulating the private market. As such divisions break down through increasingly diversified non-government and private sector involvement in subsidised housing provision, local and regional strategies provide a framework for analysing the housing system in a coherent way.

This chapter provides operational guidance on how to develop a local or regional housing strategy, having regard to some lessons from past attempts in several countries. We certainly acknowledge the limitations of local interventions, given the deep interactions between local housing trends and wider

economic conditions influencing the market, as well as the jurisdiction-specific limits placed on local governments in relation to their policy and regulatory powers, which differ between countries. Nevertheless, the very localised nature of housing production and consumption demands a particular focus. As well as explaining techniques, indicators and data sources for undertaking a housing need and market analysis, the chapter draws on operational examples, from the UK, the USA and Australia, for illustration. In particular, the detailed approach to undertaking a strategic housing market analysis is illustrated with reference to the City of Bristol in England's South West. We then show how housing strategies come together in practice with reference to three recent plans, for the cities of New York, London and Melbourne, respectively. The first section of this chapter defines housing strategies and provides an overview of the range of policy objectives and themes they typically address. The second section provides guidance for building the evidence base by undertaking a housing need and market analysis. The third section turns to the formulation of the strategy, identifying potential responses to a range of housing needs and market contexts.

Defining a Housing Strategy and Identifying Objectives

Housing strategies provide a comprehensive framework for responding to population change and housing market trends. Strategies typically combine an evidence base, a policy platform and a series of strategies or measures for implementation and monitoring outcomes. The evidence base identifies housing needs and demand (demographic trends as well as other relevant socio-economic data), the condition of the existing housing stock and future trajectories (in terms of housing type, tenure, costs and market trends). The policy section identifies aims and objectives in relation to local community aspirations as well as objectives that might be set by higher levels of government. The strategy component includes concrete interventions to implement these objectives and measures for monitoring outcomes (Goss and Blackaby 1998; Gurran 2003a).

In concrete terms, local and regional housing strategies can provide a basis for identifying potential sites for new residential development and redevelopment in response to existing and projected housing need, the

location, characteristics and capacity of the existing housing stock, and the wider urban and regional policy objectives of the locality. In practice, however, it is often the case that a housing strategy will inform rather than directly drive the process of land use allocation and planning. Housing strategies should coordinate housing responsibilities across all relevant sectors of a local authority and sometimes between local authorities at the regional level. Additionally, the housing strategy can provide an impetus for specific housing projects which respond to defined local or regional needs, in partnership with the development industry, affordable housing providers and other levels of government.

Comprehensive housing strategies combine overarching objectives for a particular region or locality, and set a framework for monitoring and responding to changing community needs. Housing strategies might also respond to particular issues—such as the need to identify new opportunities for residential development in response to forecast economic and population growth, or a desire to provide more diverse housing types. They may be contained within a stand-alone document or be embedded within other local or regional strategies or plans. While there are pros and cons of both the approaches, what is essential is that the two plan documents are consistent.

Consultation with community members, housing providers and the development industry is an important part of the housing strategy development process. This consultation must canvas both the overarching objectives for the strategy as well as the most appropriate strategies for delivery. However, authorities should guard against too much dominance of such consultation by ‘insiders’—existing residents versus potential future residents of a new neighbourhood—or by producers (versus consumers).

Housing Objectives

Ultimately, housing strategies seek to achieve a range of objectives through a particular combination of policies, programmes and projects. The essence of the ‘strategy’ concept (alias rational planning) is that there is a distinction between means and ends, with the objectives focussed on ends, or as we might now say, ‘outcomes’, while the ‘means’ are now seen to comprise a menu of possible approaches rather than a single ‘one size fits all’ solution (e.g. ‘build more public housing’). Objectives and policies may be

set by local communities but are often influenced or prescribed by higher levels of government. In a general sense these objectives relate to economic development, community well-being and environmental sustainability. While most local authorities most of the time will tend to prioritise economic development, the local housing strategy tends to bring more of a focus on social equity and sustainability issues. This means both the affordability and appropriateness of housing in relation to the range of community characteristics and needs, and the location and environmental impact of residential development. Increasingly, the relationship between housing and health outcomes are being recognised as well. As well as the overall objectives of local and regional housing strategies, the range of particular programmes and schemes able to be pursued and promoted (for instance, the particular mix of tenures and programmes) will reflect the overarching national level housing and social policy regime, as outlined in Chap. 3.

At the international level, the United Nations Human Settlements Programme (UN-Habitat) has long emphasised the right to adequate housing as integral to an adequate standard of living. This was first articulated in the 1948 Universal Declaration of Human Rights and reinforced by the 1966 International Covenant on Economic, Social and Cultural Rights. In 1978, the United Nations mandated a specific focus on urban growth and human settlements through UN-Habitat. Issues surrounding adequate housing gained new international prominence during the 1990s. The outcomes of the Second United Nations Conference on Human Settlements (Habitat II) in 1996—the ‘Istanbul Declaration’ and the ‘Habitat Agenda’ provided a policy framework for:

“the goal of improving living and working conditions on an equitable and sustainable basis, so that everyone will have adequate shelter that is healthy, safe, secure, accessible and affordable and that includes basic services, facilities and amenities, and will enjoy freedom from discrimination in housing and legal security of tenure.” (UN-Habitat, 1996, Article 39)

The Habitat Agenda includes commitments in relation to local infrastructure, construction standards and materials, and housing finance. Further, specific needs and rights of Indigenous peoples as well as “homeless, displaced persons, ... women and children who are survivors of family violence, persons with disabilities, older persons, victims of natural

and man-made disasters and people belonging to vulnerable and disadvantaged groups, including temporary shelter and basic services for refugees” are identified (UN-Habitat, 1996, Article 40).

There is a specific objective to increase “the supply of affordable housing”, by encouraging and promoting “affordable home ownership and increasing the supply of affordable rental, communal, cooperative and other housing” through “partnerships” among public, private and community groups, and market-based incentives (UN-Habitat, 1996, Article 40 (h)).

While much of the policy development work of UN-Habitat has focussed on the developing world context, over 170 nations are signatories to the Habitat Agenda. A Special Rapporteur on adequate housing as a component of the right to an adequate standard of living was appointed in the year 2000, and has undertaken investigations into housing conditions and policy in Great Britain (2013), the USA (2010), Canada (2007) and Australia (2006).

While it is not clear that these reports have had major impacts on the policy actions of the governments in question, the policy objectives and principles articulated in the UN-Habitat Agenda of 1996 seem broadly consistent with domestic level housing policies in many countries, whether articulated by national, state or local governments. However, the interpretation of these objectives and perspectives about the role of governments in their promotion remains open to significant debate. In the ‘advanced’ countries of the North, there is a continuing ideological debate between the neoliberal perspective which favours a more minimal ‘watchman’ role for the state (and a more positive ‘enabling’ stance towards the private market) and more social-democratic perspectives which envisage a more comprehensive role for the local state in housing. These differences will be reflected in, for example, how tightly drawn are the categories and thresholds of housing need, as well as in the degree of intervention in land markets and the development process. In the Global South, although housing conditions are generally far worse, the effective activity of government may be much less, whether due to budgetary stringency, priorities or weak governance/corruption, so leaving people to house themselves as best they can in the ‘informal sector’.

The following sections explain the key concepts and their implementation through local and regional housing strategies, in greater detail.

Housing Affordability and Affordable Housing

Affordability has become a more important concept in housing policy and practice in recent years, although arguably it has always been implicit in typical government statements of overall housing aims: typically, to enable all households to have a 'decent' home at a price within their means' (see Holmans et al. 2007). The term has become more prominent in policy discourse, following successive house price booms, and the shift from 'bricks & mortar' (supply based subsidies to construct public housing) to 'person' subsidies ('demand side' payments to help target groups meet housing costs in the market). Tighter means testing for subsidies and the deregulation of mortgage and rental markets have also reinforced demand side pressures in the market (Whitehead 1991; Bramley 1994, 2008). 'Affordable housing' has come to be seen as a broader, more inclusive and 'positive' term than 'social' or 'public' housing, although typically it includes these sectors within its remit.

It is important to distinguish between 'affordability' generally, which in simple terms describes the relationship between housing costs and income, and 'affordable housing' in particular, which usually refers to accommodation within the means of low and often moderate income earners. Common measures of affordability focus on the proportion of income spent on housing (for instance, as a benchmark for determining access to mortgage finance), while more sophisticated measures look at residual income after housing costs relative to subsistence needs based on household composition. Since higher-income groups have more discretionary funds, when determining levels of housing need for policy purposes, there is often a specific focus on lower-income groups. Hulchanski (1995) identifies several discrete uses of housing affordability measures in the context of North America: as a description of household expenditure and analysis of trends and needs; as a basis for determining eligibility requirements for public housing and income subsidy programmes; and as a prediction of a household's capacity to meet mortgage or rental payments (and thus as part of selection criteria).

Many countries define housing affordability pressures in relation to very low, low and moderate-income households along the first three

income quintiles and earning up to 120 % of the area median income. These groups are most likely to be having difficulty accessing affordable housing on the private housing market. Although benchmarks differ between countries and jurisdictions, affordability or housing ‘stress’ is usually indicated when a very low, low or moderate-income household is spending more than 25–30 % of its gross income on housing costs. There is evidence, for example, from UK longitudinal household surveys, that such a benchmark still has validity, both in terms of subjective self-reported payment problems and in terms of correlating with independent indicators of households’ ‘material deprivation’ (Bramley 2012a).

Affordable housing is housing that is both appropriate to the needs of a household and within their means to pay. While the affordability stress benchmark provides a useful measure, the capacity of a household to pay for their housing also depends on essential living costs to be met by the household, such as food and household goods, transport, education and healthcare. These wider dimensions of affordability are reflected in some more sophisticated measures. For instance, Fisher et al. (2009) develops an affordability measure based on job accessibility, school quality and safety, which has resonance in the context of the USA, while Mattingly and Morrissey (2014) use commuting cost data to define an alternative affordability metric for the city of Auckland, New Zealand.

Appropriate Housing

The notion of ‘appropriate’ housing is to some extent culturally defined. Appropriate housing meets basic standards (safety and security, thermal comfort and ventilation), and offers sufficient space and privacy for occupants. These essentially normative standards may be defined in legislation, or in policy guidance, or embedded in professional standards and practice. There is evidence that core housing needs are supported by very large majorities as ‘essentials’ that everyone should have—basic shelter, a damp-free home, with adequate heating (Pantazis et al. 2006), but this does not necessarily extend to all areas of housing consumption.

Size requirements (how many bedrooms for different age groups) have been controversial in the context of a recent cutback in UK Housing Benefit entitlement popularly known as ‘the bedroom tax’. Concealed family groups ‘doubling up’ with others may well be recognised as in need, but concealed single persons who would like their own home, without being forced to share with family or strangers, are less often given official recognition. The ‘right to housing’ among people at risk of homelessness is more extensively recognised in UK than in other countries.

If members of a household have special needs—such as particular health or mobility limitations—the dwelling should ideally accommodate these needs. To avoid expensive retrofitting, homes can be built so they can ‘adapt’ to the changing needs of occupants at minimum cost. With population ageing, ensuring an ongoing supply of new ‘adaptable’ (able to be changed) and ‘accessible homes’ (fully adapted to meet the needs of a person in a wheelchair or other physical disability), is an important strategy and can facilitate ‘ageing in place’ which is believed to improve health and well-being outcomes for older people. Nevertheless, the development industry argue that such requirements should not be mandatory for all new housing because of the additional costs involved in initial construction. For these reasons, it is usually the case that a jurisdiction will need to impose a requirement for adaptability or universal design on a certain proportion of dwellings within a particular project (usually somewhere in the vicinity of 10–30 %), although homes that are intended to be occupied by older people or people with a disability will usually embed these standards in initial design. Similarly, non-profit housing providers will often specify adaptable designs for their own projects because of the higher proportion of special needs groups within the communities they serve.

Housing Diversity and Choice

Housing diversity refers to different types of housing opportunities, in line with household characteristics, needs and preferences. It encompasses the design, size and form of housing, relative to household characteristics,

forms of tenure, different price points and location (accessibility to employment and services and social networks).

Housing diversity promotes socially mixed communities, by offering greater housing choices for households from different socio-economic groups within the community. A diversity of housing choices within a community supports social networks over time because people can stay living in a neighbourhood or local area, thus retaining close connections between locally residing friends and/or family, even when their dwelling needs change. Social mix appears to be a goal worth pursuing, even though academic evidence is equivocal on whether it generates all of the benefits claimed for it (Galster 2007; Arthurson 2012; Van Ham and Manley 2010; Sautkina, Bond et al. 2012). In the UK, social mix tends to mean 'tenure mix', a strategy which may be pursued equally for economic reasons (for instance to leverage new finance into estate renewal schemes, or to meet affordable housing obligations at lower cost) to achieve social benefits (Darcy 2010). However, when urban planners conceptualise the term social mix, they are often referring to the availability of more diverse housing forms in highly accessible or high-amenity locations (Talen 2006), where the market, or restrictive planning regulations, might otherwise exclude lower income, culturally or ethnically diverse groups (Pendall 2000; Rothwell and Massey 2010).

Housing diversity and social mix may not happen if housing development occurs along traditional 'business as usual' lines. Both social and private developers can be responsible for mono-tenure and mono-type housing estates which fail to meet this goal and may also be seen by consumers as bland and boring. Requirements for more diversity of size and type of dwelling within schemes (as encouraged in UK planning guidance since the mid-2000s), can address the problem of homogenous housing and restricted choice, even though developers often argue that having imposed diversity quotas will make developments like these less profitable or viable. Even where this is not the case, for instance, where developers have come to embrace principles of 'new urbanism' which emphasise design for social diversity, it is increasingly the case that the amenity benefits associated with vibrant and walkable neighbourhoods offset cost savings associated with smaller sites and dwelling sizes (Talen 2010). Affordable/inclusionary requirements imposed through the

planning system provide a way of ensuring that the amenity and accessibility values arising from 'good' planning and associated with diverse housing choices, do not inadvertently price out low- and moderate-income earners.

Housing and Health

As outlined at the beginning of this book, connections between housing conditions and health have long been recognised. The focus of health and sanitation reforms in the nineteenth and early twentieth centuries was on the squalid housing conditions and consequent ill health of the poor. While some of these concerns, such as the spread of epidemics or fire, have been generally alleviated, in many nations problems arising from poor quality housing stock continue to persist. Lower-income groups and those who are already vulnerable to the impacts of disease, such as children, the frail aged or people with a disability, are also most at risk from poor housing conditions such as overcrowding, damp or cold temperatures, indoor pollutants and disrepair.

However, by the late twentieth century, a new set of health concerns arising from the location and design of housing had also emerged (Frank and Engelke 2001; Frumkin et al. 2004). These include obesity and cardiovascular diseases associated with a sedentary lifestyle and poor nutrition, which in turn is linked to high rates of car-based commuting and inadequate access to sources of fresh food, or opportunities for physical activity, particularly in open space (Cutts, Darby et al. 2009; Garden and Jalaludin 2009). Additionally, respiratory diseases arising from exposure to air pollution (again a problem arising from traffic congestion) can affect all sectors of the population. Mental illnesses such as loneliness may also be connected to particular forms of housing design or tenure (Rauh, Landrigan et al. 2008).

Urban form—particularly the location and design of housing—are thought to have a significant influence on physical activity (Ewing and Cervero 2010). In particular, walking and cycling for transport is more prevalent in contexts which have good access to shops and services, and safe and interconnected street networks (Aytur, Rodriguez et al. 2007; Steinman,

Doescher et al. 2010; Moudon, Lee et al. 2007). Further, access to large and attractive areas of open space is thought to increase rates of walking and enhance mental well-being (Garden and Jalaludin 2009). In turn, increased walking is thought to encourage interactions between neighbours (Wood, Frank et al. 2010), contributing to a sense of community which is also associated with positive mental health benefits (Wen et al. 2007).

Higher- and medium-density housing with good access to public transport but reduced exposure to traffic and associated pollutants, as well as a quality public realm incorporating infrastructure for active transport and open space, is thought to offer a strong design framework for promoting public health through the built environment. There are clear parallels to current thinking on environmental sustainability and housing.

Sustainability and Housing

While it is important not to overstate the relationships between housing, the built environment and impacts on personal behaviour and well-being, these concepts appear to align within overarching concepts of sustainability and urban form. As noted in Chap. 1, a compact, high-density and mixed-use urban form has become a normative planning objective in many cities throughout the world, due to perceived environmental, efficiency, economic and social benefits. However, these benefits are not uncontested. While higher-density housing within the existing urban footprint might reduce the call on undeveloped farmlands or forest, some contend that overall biodiversity can be increased through urban and suburban gardens (Gleeson 2008). Suburban homes and gardens are also thought to reduce heat island effects and stormwater issues arising from impervious surfaces, while also offering opportunities for decentralised infrastructure (solar, water and waste services), and local food production (Hamin and Gurran 2008).

Environmentally sustainable housing can thus be considered in relation to metropolitan level urban form (the location and scale of housing in relation to employment, services and transport, and implications for car dependency), as well as neighbourhood and dwelling design. In relation to individual dwellings, there is an increasing shift in some nations to reduce the carbon impact of new homes and apartments, through

designs which maximise solar amenity and thermal comfort, and incorporate lower energy appliances.

Affordability and environmental sustainability are sometimes considered to be competing objectives for housing. This is not necessarily so, particularly when long-term affordability is taken into account. Many of the approaches that represent environmentally sustainable design, such as careful site planning and building orientation, do not in themselves add to housing costs. Other measures, while contributing to upfront costs, can result in long-term savings in, for example, heating or water consumption, or commuting costs.

Undertaking a Housing Need and Market Analysis

A local housing strategy is traditionally underpinned by an analysis of housing need and demand and the extent to which the housing market is able to respond to this demand. The notion of demand in this context is important. We noted in Chap. 3 that in the private housing market, price is a key indicator of demand. The demand for housing consists of households who wish to enter a local housing market—the quantity of housing that households are willing and able to buy or rent. In a local market, demand for housing is influenced by demographic factors, especially the rate at which new households are formed, prices in the local housing market and other housing markets, the economic circumstances of the households and of the local housing market, the perceived advantages of the local area in terms of its access to a range of goods and services, and particular tastes or preferences of consumers.

When demand for housing increases within a particular region—due to population growth, household formation trends or economic drivers—prices are expected to rise. In theory, this price signal should trigger increased housing production, leading to a long run equilibrium between demand and supply, moderating price inflation over time.

However, as noted throughout this book, for many reasons house prices are an imperfect indicator, and supply is very imperfect at responding to changes in demand, as outlined in Chap. 3, so that in many countries

demand tends to push up prices rather than stimulate new supply. Those without sufficient financial means to pay for adequate housing on the private market represent ‘latent’ demand—which is not able to be exercised due to price constraints. Other barriers, such as discrimination in the private rental market or a lack of housing suitable for large families might also result in unmet housing needs. A housing needs analysis seeks to measure the extent of this overall housing demand and need, including unmet needs, within a particular local or regional community.

A corresponding analysis of the housing market then determines the extent to which these needs are being met through existing and planned new housing supply, and across the different housing tenures. While the total supply often attracts the main focus as a key indicator, it is very important to also consider the housing stock in all of its forms—the level of different sorts of housing stock according to dwelling type, tenure and price, and the differential affordability for groups across the income spectrum.

Market Information in Local Housing Studies

The inclusion of market information into planning for new housing supply has been contentious in some countries. Traditionally, in nations such as the UK and Australia, planning for housing land has been informed by demographic projections—future population and household formation. But demand reflects more than household formation rates, also incorporating desire for improved space/amenities/quality, and home ownership/investment motives. It is notoriously difficult to accurately forecast future population growth and household formation rates, as discussed further below. In addition, because housing is a consumption and investment good as well as fulfilling basic shelter requirements (i.e. ‘need’), demand for housing space or services tends to increase with incomes (and may even increase with price levels, especially expectations thereof).

For these reasons, economists argue that if the supply of new housing is restricted relative to demand, then prices will rise. On the other hand, unlimited new supply responding to a perceived housing demand unrelated to longer-term demographic and economic prospects—as occurs in some housing markets dominated by speculative house building and

lax planning—is associated with significant economic, social and environmental risks. This has been the experience demonstrated in many parts of the USA and in Ireland and Spain in the lead up to the GFC (particularly in areas with significant tourism/leisure/second home/retirement activity) (Romero et al. 2012; Norris 2013; Kane et al. 2014; Kitchin et al. 2014). Another risk demonstrated in these contexts was the mismatch between demographic requirements for new housing (in the major employment centres) and the actual locations in which much new house building occurred (rural areas servicing leisure or long distance commuting). For these reasons, a careful balance of planning for housing involving both demographic and market sources of data, and local assessment, is needed.

Data Sources and Methodology for Local Housing Need Assessments and Market Analysis

There may be different sources of primary and secondary data available to inform a local housing analysis, depending on the extent, scale and timeliness of information provided by central agencies and the capacity for local authorities to resource their own data collection. Evidence requirements for local housing strategies may be stipulated by central government, to ensure consistency. Overall, however, housing needs and market analyses usually follow an underlying methodology.

Delimiting the Local or Regional Housing Market

One of the reasons for undertaking local and regional analyses of the housing market is because dwellings are spatially fixed. An excess supply of housing might occur in one region and a shortage in another, but dwellings cannot be relocated to provide a balance in both areas. However, defining the functional area of a housing market can be very difficult. At the broader scale, which is most relevant to planning and local housing strategies, housing market areas (HMAs) may be defined by reference to:

- travel-to-work patterns (areas which are predominantly self-contained in terms of journey to work)
- migration patterns (most migration, perhaps excluding special groups like students, being within the area)
- house prices (similar prices for similar housing products, or similar patterns in terms of the determinants of price).

Whatever definition is applied, local housing markets rarely conform to local administration or planning boundaries (Jones and Watkins 2009; Jones et al. 2010). Some of the literature about local housing strategies also refers to ‘submarkets’, which are neighbourhood level areas with common housing types and market characteristics, arguing that the analysis of needs, demands and possible imbalances should be conducted at this scale. Submarket identification presents a challenge for housing policy, planning and analysis because of the different features of houses and neighbourhoods, and the different preferences of purchasers and renters. Thus, housing markets may be segmented by spatial differences (e.g. access to particular employment markets), the availability of neighbourhood amenities and schools, or the unique features of houses themselves which may be difficult to modify (detached cottages or apartments, heritage or modern in character, etc.) (Goodman and Thibodeau 1998).

A functional housing market may overlap local government boundaries, or several different housing markets may be contained within a single local authority area. One approach might relate to employment catchments—the range within which a household moving houses but not jobs would choose to search. However, in large metropolitan contexts, this can be complex because there are often two members of a household employed.

The lack of strict correspondence between local authority boundaries and functional local housing market perimeters is a particular issue in metropolitan areas defined by multiple sub-jurisdictions. These problems can be overcome by a metropolitan-wide approach to governance, such as that achieved by the Greater London Authority (GLA) in the case of England (although the functional urban area of London now stretches beyond the boundaries of the GLA). The opposite can be true in non-metropolitan settings, where a housing market could be a particular town, rather than the whole municipality.

This potential misalignment between functional housing markets and administrative jurisdictions is problematic when it comes to analysing and responding to unmet housing needs. For these reasons, sub-regional or regional housing approaches can provide a more strategic framework. Even if local authorities pursue independent strategies, including a regional context for housing needs analysis often provides more accurate information about local-level drivers.

Whatever approach is selected, a rigorous housing needs and market analysis will include data from neighbouring local areas and/or regions, as a basis for understanding wider pressures and trends. Comparison with neighbouring areas will also assist in interpreting local trends.

Undertaking the Analysis

The objectives of a housing needs and market analysis might cover a wide range of issues. Again, these might be prescribed by central government or might be determined by local stakeholders. Typically, a housing needs and market analysis aims to:

- assess the future impact of economic, demographic and social trends upon the housing market, particularly on housing need, demand and forecast supply
- identify specific groups with current unmet housing needs
- determine the overall quantum of new housebuilding which is likely to be required over the planning period, with concomitant implications for land supply and servicing
- determine the proportion of the additional supply which should be 'affordable' as opposed to 'market' housing
- determine the 'match' between the existing housing stock and the demographic profile of the community (considering the location, size and other characteristics, as well as the tenure and affordability of dwellings)
- identify existing or emerging shortages of particular types of housing stock, such as the loss of low-cost rental dwellings, transitional accommodation or housing for the aged

- identify latent capacity within the existing housing stock, or other urban land uses, which could be better utilised, or sources of surplus public land which might support affordable housing projects
- identify issues of low housing demand, where for example, there is little or no demand for existing housing stock because of its location, design or condition in relation to market needs.

Sometimes, housing strategies must address more complex market situations where there is a mix of high and low demand in close proximity, coupled with environmental or other constraints. Overall, the key policy issues or priorities affecting a particular area will influence the kind of data that is sought and the way in which the data is assessed.

Depending on data availability, at minimum this should usually include data on:

- demographic trends (migration, population growth and age/sex composition, average household size and projected formation)
- economic drivers (income and occupation trends, industry structure, unemployment and labour force participation rates)
- supply characteristics and trends including: dwelling structure (composition, size); dwelling tenure (including low-cost rental and homelessness rates); new dwelling approvals/completions (by residential development type); and new residential land subdivision approvals/planned land allocations)
- condition of existing housing stock (quality, adequacy/finish, disrepair and energy efficiency)
- specific housing needs and problems experienced by residents (lack of secure tenure, affordability/payment problem, overcrowding, concealed and sharing households); housing suitability problems (health/disability related unsuitability problems, neighbourhood problems); preference to move
- market indicators (rent and sales data, including median and quartile values; numbers of households in affordability stress; changes in house prices and rents; rental vacancy rates; residential land sales and prices).

Further, we comment on the different types of data sources which may be used to inform and populate different parts of this checklist. Traditional data sources for planners include censuses, demographic projections and rates of development (permissions, completions) (McClure 2005), while for 'housing' departments or agencies high emphasis tends to be placed on waiting lists.

As the scope of local housing strategies has widened and the demand for evidence increased, greater interest has arisen in commissioning local housing needs surveys. While this partly reflected the new emphasis on affordability, particularly in countries such as the UK which lacked local income data, it also provided an opportunity to measure a wider range of needs as well as preferences and intentions. However, the shortcomings of needs surveys have also become more apparent, and in an era of austerity the attractions of models which rely mainly on secondary data rather than new primary data collection have become much more pressing, and reflected in official guidance. This partly reflects the greater range of secondary data now available, for example, on house prices, rents and other market indicators, as well as the richer array of national sample surveys which can be used to provide national and regional measures of key housing needs.

Demographics

A key trend in recent times has been towards smaller household sizes as a result of people's preference for living on their own, increased life expectancies and a decline in fertility rates. This means the demand for housing can be increasing, even when there is no population growth in an area. Until the GFC, the number of sub-groups forming separate households had been increasing, across many parts of the Western world and these trends were forecast to continue. However, affordability pressures in the lead up to and following the GFC were in some countries associated with slowing of this trend and in some cases a marginal increase in average household sizes. When measured in relation to projected rates of household formation, a gap between anticipated and actual households was identified in nations such as the UK and Australia by around 2012/13,

which has been interpreted as an indicator of affordability pressures which constrain demand (Fitzpatrick et al. 2015b, Chap. 5). This is consistent with evidence from a range of studies over several decades which show that household formation, although strongly linked to age structure, does also respond to economic factors such as income and employment as well as to housing market factors such as house prices and social housing availability. Bramley et al. (1997) review earlier work including several US studies, while Peterson et al. (DETR 1999b), Ermisch (1999), Clark and Mulder (2000), Andrew and Meen (2003), Meen et al. (2007), Meen (2011), Meen and Nygaard (2008) and Bramley et al. (2006a, b) represent a range of evidence for the UK. Among more recent literature, we can find several studies from the USA in particular claiming clear evidence of cyclical recession effects (from incomes and labour market trends) on household formation (Lee and Painter 2013; Dyrda et al. 2012; Paciorek 2013). Some of these also point to the effects of housing costs (Paciorek 2013) or the sub-prime (credit) crisis. Some studies have focussed on the longer-term decline of owner occupation, suggesting that this situation was compounded by declining young headship (Rosenbaum 2013). Studies comparing ownership rates by ethnic group were shown to be potentially misleading for the same reason (Yu and Haan 2012; Nygaard 2011; Yu and Myers 2010).

The age structure of the population provides important information about existing and potential future demand. Although research suggests that housing ‘careers’ appear to be changing in line with wider societal and economic trends, tenure preferences and specific types of housing needs roughly accord with particular age cohorts (Kendig 1984; Beer and Faulkner 2009; Borgersen 2014). For instance, younger households (15–24 years) often live in shared rental tenure. They may be mobile while undertaking education or building a career. Commonly, there will be higher concentrations of this age group near colleges and universities, so purpose designed student accommodation may help ease wider pressure on the local housing market. The middle group (25–44 years) will often include couples with children, often purchasing or aspiring to purchase a home—but affordability problems are making this more of an aspiration than a reality for ‘generation rent’. Typically, this group will require larger dwellings and long-term forms of housing tenure.

Household size reduces as children leave home, and there are typically higher rates of outright home ownership amongst the 45–64 year age groups and beyond. Older cohorts may require retirement homes or hostels for the aged.

With high rates of international immigration, population growth often implies sudden housing demand in a way that natural increases do not. While population growth through natural increase does not immediately translate into new household formation, adult migrants and their families create an immediate housing need. To fully assess implications for immediate and long-term housing demand, it is important to distinguish between temporary migrants—such as international students—and those who are likely to migrate on a permanent basis. Migration is assuming ever greater importance as a social and political issue in many countries, including most of Europe, as political instability in the Middle East and Africa is generating a wave of refugees to add to the growing streams of economic migrants.

Household Income

Economic data provides information about the ability of households to afford housing, and a basis for forecasting future demand trends in a local government area. Household incomes are more relevant than individual earnings when determining affordability and future housing demand. Many countries (e.g. USA, New Zealand) have income data in their census. The UK does not and this has been major driver of surveys as well as other ways of ‘modelling’ income (e.g. Bramley 2006b).

Data on occupations, employment trends (including full- and part-time employment) and workforce participation rates can also be important indicators of the socio-economic status of an area. In undertaking this analysis, it is necessary to distinguish between cyclical changes in employment associated with the business cycle and structural changes resulting from the permanent decline of a particular industry which is important to the regional or local area.

For instance, in many nations there has been continued shedding of manufacturing jobs, while financial, information and service sectors

of the economy have grown. Spatial disparities in growth arise within and between regions as a consequence of these processes. The process just described can also lead to more inequality/dispersion in household incomes within an area, between favoured occupations and individuals and others. Also, demographic trends may widen inequalities, particularly between households with no-one working; households with one worker (including by definition all singles and lone parents); and two-worker households.

An affordability analysis can be undertaken using data, or proxy data, on median incomes against median housing costs. More precise measures report on actual housing cost payments made by households as a proportion of incomes, such as the comprehensive surveys of household income and housing costs undertaken by central governments, although this information is often only available at aggregate or regional level.

Unmet Housing Needs

Indicators of numbers and characteristics of households who currently have unmet housing needs often provide a tangible starting point for local housing assessments. These needs are typically defined by shortfalls between the current housing situation and normative or legally defined standards. The English case study reported below uses the following headings for existing needs, in line with current planning guidance: (a) homelessness; (b) overcrowding; (c) concealed family households; and (d) households in unsuitable housing, related to health/disability or other social issues. In a major national study, Bramley et al. (2010, forthcoming) not only referred to these categories but also households sharing accommodation, households with affordability/payment problems and problems of poor physical housing conditions.

Such needs may be measured by waiting lists or housing registers, so long as these are open and well-administered, and people have some expectation of receiving help or potentially accessing housing to be motivated to register on a waiting list. In some locations, such as deep

rural areas where there is little or no social housing, people may have no incentive to register even though their needs may be acute. Unmet needs can also be measured by surveys, although these may involve elements of subjective judgement. Even where a local authority cannot afford to carry out a reliable survey, national sample surveys may be used to generate estimates for higher-level regions or types of locality and to establish relationships with proxy variables which may be available in the Census or from administrative sources.

The Needs of Particular Groups

In addition to undertaking an overall appraisal of the relative affordability of existing housing supply for those on low and moderate incomes, housing strategies must consider groups with particular needs, whether in terms of the type of housing, or different forms of support which people may need to sustain themselves in their housing. These include people with a disability or mental illness, homeless people, the frail aged and refugees.

Ethnicity can also influence housing need and preferences for the location, size, design and tenure of housing, in different ways. In many countries, Indigenous households are disadvantaged in relation to housing, often having lower rates of home ownership compared to the non-Indigenous population. For example, the home ownership rates among Indigenous households in Australia are less than half those of the non-Indigenous population (34 % compared with almost 70 %) (Lawson and Milligan 2007). Indigenous people may also face discrimination in the private rental market.

As suggested earlier, social housing waiting lists can provide a useful indicator of unmet housing need within a locality, including a more detailed profile of the reason for and type of need; locational preferences; and trends over time. To provide reliable evidence, lists need to be well managed, open and regularly reviewed. Even then, there is a tendency for waiting list sizes to reflect expected chances of rehousing and local supply.

Housing Supply and Tenure

It is important to maintain accurate data on numbers and types of housing, and the range of available housing tenures. These provide a baseline for future housing delivery and allow a comparison to be made between estimated housing need (in terms of housing numbers and housing types) and housing availability. It also provides a basis for tracking new housing delivery trends and local residential development and land supplies.

There are many ways of categorising and describing dwellings. A common distinction is between private dwellings and non-private dwellings, which include hospitals, prisons and hotels. Dwelling types include detached dwellings, semi-detached and row or terrace housing, flats or apartments in one or two storeys and higher storey blocks. Flats might also be attached to a dwelling house. Other dwellings might include caravans, manufactured homes, houseboats, homes or flats attached to a shop or office, or improvised housing such as a tent.

Data on the number of bedrooms provides an indicator of dwelling sizes—Anglo-Saxon countries are actually quite backward in not routinely recording and quoting dwelling sizes in square metres. Comparing numbers of occupants for each dwelling type and/or for houses of different bedroom configuration can provide an important indicator of overcrowding.

Dwellings are usually classified as occupied or unoccupied. Vacant houses, holiday homes, huts and cabins (other than seasonal workers' quarters) are counted as unoccupied dwellings. In analysing housing supply, it will be particularly important to take into account the vacancies in areas with high rates of seasonal visitors, although such data can be difficult to obtain. Vacancy rates can also be important to monitor as an indicator of low demand, including oversupply in certain markets. Also included within the vacant stock are newly completed dwellings not yet occupied, dwellings that are vacant because they are due for demolition or repair, and dwellings available to rent or purchase.

Housing tenure describes the legal mechanism through which a household accesses housing. The two main forms of tenure are rental

and ownership, which are often broken down into the categories of fully owned, being purchased, shared ownership, rented (in the private sector); rented (from a social housing authority), and other tenure types.

Rental vacancy rates can be an important measure of the state of the rental market. There are different 'rules of thumb' regarding the ideal vacancy rate thought to represent a balance between supply and demand for housing. Somewhere between 3 and 5 % is usually regarded to provide a balance between demand and supply for rental accommodation. Vacancy in rental accommodation is important given that flexibility and mobility are often important to households in search of rental housing.

Understanding trends in house prices and rents is an obviously critical component of the analysis, but sources of available data vary by jurisdiction. Where available, it can be important to distinguish between the prices/rents for detached and attached dwellings, and between new and established homes.

Residential Development Trends

A key indicator of residential development trends is building approval and completions data. This information is usually sourced from permits issued by local government authorities or other authorities responsible for authorising development and construction work. It is important to distinguish between the number of dwellings in each approval and approval numbers themselves.

Overall, the process for analysing new housing supply involves examining change in the overall housing stock (including the type and size of dwellings) over reporting periods, and comparing this change to other locations. Changes in housing tenure should also be examined between reporting periods.

The other important indicator relates to the availability of housing land. Depending on the planning jurisdiction this might mean the proportion of land that is zoned to permit housing development, the amount of sites with planning permission for housing or the amount of approved residential subdivisions.

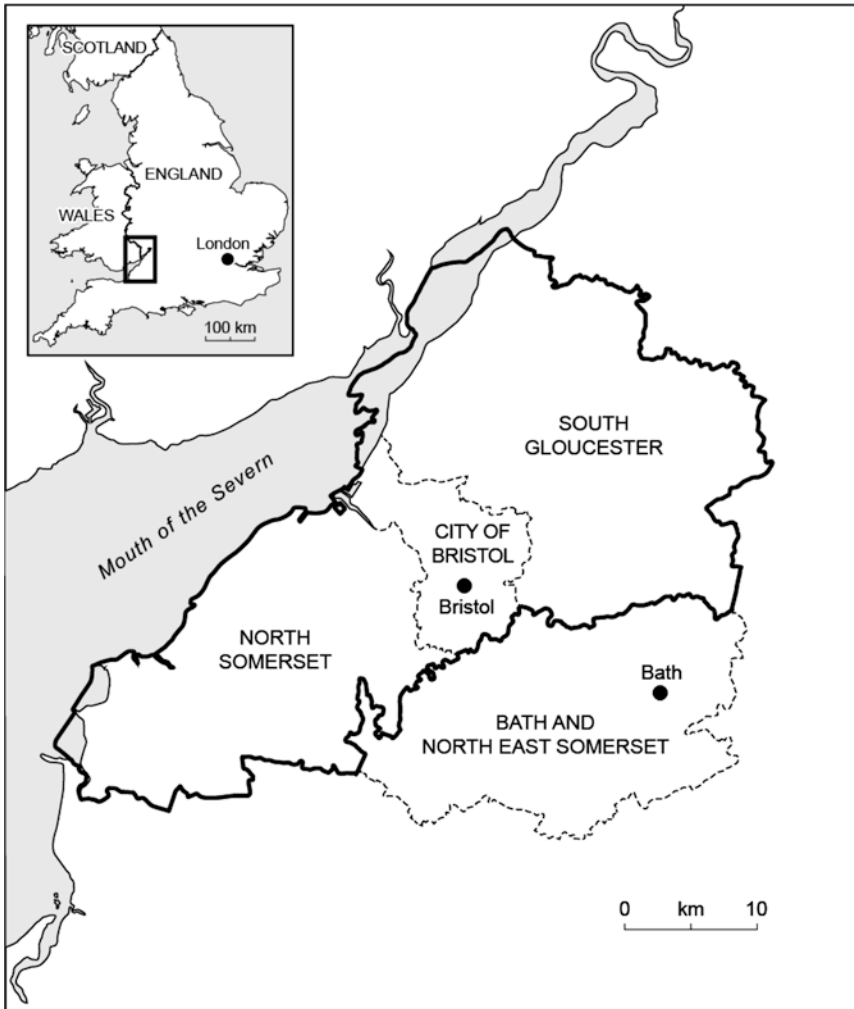
Since the private sector development and house building industry will play a major role in delivering the housing, it is important to understand their motivations and factors which might stimulate or inhibit their activity. It may be particularly important to consult with developers who concentrate on the affordable end of the market. Similarly, private landlords have a crucial impact on rental housing supply. Although it can be difficult to consult with large numbers of small individual, unorganised landlords, surveys or monitoring of low-cost providers can provide helpful information about the sector.

Potential opportunities to generate new housing development are a major component of the strategy. In addition to identifying appropriate locations for new or increased housing development, the strategy might also identify vacant sites in public ownership, or locations in need of renewal. These opportunities can be further developed through the strategy in response to the housing needs assessment.

Strategic Housing Market Assessment: A Case Study from England

The first case study we present here is drawn from the UK, and specifically from England. As argued in Chap. 4, England is an interesting case study both because it has a relatively large social housing sector and because over recent years it has developed a significant element of affordable housing requirements being built into the land use planning system. Practices for planning overall housing growth numbers/locations and for planning and resourcing social/affordable housing provision have been explicitly brought together under the banner of ‘Strategic Housing Market Assessment’ (SHMA) since the mid-2000s. The case study chosen is the city region centred on Bristol, in the South West of England, referred to here as ‘Wider Bristol’, set within a sub-region known as the ‘West of England’. One of the authors lived and worked in Bristol for two decades and undertook a number of studies of housing need and affordability for the local authorities, although the current assessment reviewed here (2015-based) was undertaken by consultants.

Wider Bristol sits within the part of the South West region which is relatively close to both London (less than 200km away) and the heart of England (see Map 10.1). As such it is a relatively prosperous and higher demand area in housing market terms, and could be described as being part of the 'Greater South East' (Bramley 2015a). It comprises three



Map 10.1 Greater Bristol (Source: Bramley 2015a)

unitary local authorities, with the core City of Bristol and two adjacent areas, North Somerset and South Gloucestershire, with a total population of 910,000 (384,000 households in 2015).

The geographical delineation of the HMA is the first substantive issue addressed by the SHMA. This issue has received considerable attention in the UK over recent years (Jones et al. 2010). The previous SHMA used a wider area for the 'West of England' HMA, including the neighbouring small city of Bath and its hinterland (including parts of Wiltshire and Somerset). However, the consultants undertaking the 2015 SHMA for the local authorities argue that Bath and its hinterland should be treated as a separate HMA. They are able to produce a range of evidence in terms of commuting flows, migration flows and house prices which appears to justify this stance in terms of criteria suggested in the official guidance. While the local authorities prefer this separation, some of the other groups involved, for example, the economic development partnership and the housing sector forum, have questioned it.

Central government provides guidance to local authorities on how they should carry out SHMAs (CLG 2007, 2014), which is quite prescriptive on some points while being light touch on other issues. There is a broad distinction between existing unmet housing needs and needs expected to arise in the future, over the plan period, and a division between needs for 'affordable housing' and needs/demands for market housing. The definition of affordable housing is crucial here. In England, until recently, one could say fairly confidently that affordable housing was housing to rent or buy for which the cost was significantly below market rates. In effect that meant subsidised housing, including public (council) and housing association (registered provider) 'social' rented housing, 'intermediate' or 'affordable' rented housing, or 'low-cost home ownership' (LCHO, typically shared ownership/equity). Whether people could afford home ownership was assessed by applying typical mortgage lending criteria to market prices towards the lower end (e.g. lower quartile, for relevant size of unit). As private renting has become more important, the application of equivalent ratio criteria (e.g. 25 % of gross income, 30–35 % of net income) to local market

rents has become more the operative threshold. However, in this particular case study, the consultants used the proportion of households claiming Housing Benefit/Local Housing Allowance as the threshold to distinguish households in need of affordable housing, arguably too narrow a definition.

Table 10.1 summarises the part of the Wider Bristol 2015 SHMA which deals with existing unmet need for affordable housing. These needs are identified under four main headings: 'homeless'; 'concealed households'; 'overcrowding'; and 'other unsuitable', all categories mentioned in the Department for Communities and Local Government (DCLG) (2014) practice guidance. It appears from the table that the largest of these, numerically, is overcrowding, which perhaps tallies with evidence in the report of a large rise in overcrowding in this area between the 2001 and 2011 Censuses. The homeless categories reflect the highly developed statutory framework around homelessness in the UK; in England, households found to be homeless (including at imminent risk of losing their home) and in priority need (e.g. with children, vulnerable elderly) have what is tantamount to a right to rehousing as well as advice and support.

Local authorities are obliged by law to compile and report data on how they fulfil their Statutory Homelessness duties and these data provide the source for first four items. Concealed households could be based on a combination of waiting list, national sample survey and census data; in practice in this case the number presented is an estimate of the increase in concealed families (couples and lone parents living with others) between the 2001 and 2011 Censuses. Overcrowding is based on the Censuses, adjusted (down) for consistency with the national English Housing Survey measure which uses the stricter bedroom standard (closer to DCLG Guidance). The categories of 'others in unsuitable housing' are based on local authority waiting list numbers in the relevant 'Reasonable Preference' categories (these 'RP' categories comprise: homeless; unsatisfactory housing; medical/welfare grounds; others needing to move to avoid hardship). The general approach entails not only fairly conservative need criteria but also an emphasis on avoiding double counting and not including households who could afford suitable housing in the market. It may be noted that excluded from these numbers

Table 10.1 Assessing current unmet gross need for affordable housing—Wider Bristol HMA 2014

Components of unmet housing need	Affordable housing gross need	Affordable housing supply	Increase in housing need
Homeless households in priority need			
Currently in temporary accommodation—communal	235		235
In temporary accommodation—market housing	56		
In temporary accommodation—affordable housing (LA, HA)	107	107	
Accepted as homeless but without temporary accommodation	102		102
Concealed households			
Growth in concealed families aged <55	1084		1084
Overcrowding based on 'bedroom standard'			
Overcrowded in private rented housing	2551		
Overcrowded in social rented housing	3224	3224	
Others in unsuitable housing & can't afford market			
Need to move for medical/welfare/disability reasons	1986	137	
Need to move locally to avoid hardship	1863	127	
Total	11,228	3615	1421

Source: Wider Bristol 2015 SHMA

are (a) those living in unsanitary or otherwise physically unsatisfactory housing (it being argued that the right solution to these problems is to improve the housing); (b) owner occupiers (who will typically have the equity to buy a suitable home); (c) students (who are transient); (d) concealed single person potential households, regardless of preferences and (e) single sharing households (for whom the government will now only subsidise a room in shared accommodation up to age 35).

The main need figures are shown in the first column, totalling 11,228. The figures in the second column highlight households who currently occupy a social rented dwelling, and therefore do not need/warrant a net addition to housing supply—they could move to a more suitable dwelling and release a vacancy for someone else. The third column highlights groups who are not currently counted in the number of households, and so represent an addition to housing requirements over and above any baseline household estimates or projection.

By way of commentary, the total gross need is 3.0 % of total household, which may be argued to be a conservative figure. For example, in a comprehensive model covering all HMAs in England a comparable need estimate of 7.2 % is shown for Wider Bristol (Bramley and Watkins 2016; Bramley 2015a). Differences are probably mainly due to the latter study including concealed singles who want to move, sharing households and some people with affordability/payment problems. The homeless data reflects national downward trends in recorded homelessness, but a national monitoring study (Fitzpatrick et al. 2015b) shows clearly that this is due to enhanced prevention activity, and the more reliable combined homeless activity including prevention cases shows continued rising demand, particularly in the south of England. The use of the Housing Benefit/Allowance (HB/LHA) entitlement as a proxy for affordable housing need threshold raises various problems—it ignores people who do not get HB but still have affordability problems on reasonable objective and subjective measures (Bramley 2012b), and the fact that obtaining HB/LHA does not necessarily prevent people experiencing such problems. Also, with this kind of measure, the more the British Government restricts or cuts HB/LHA, the lower the apparent level of need regardless of the objective situation.

The results from this part of the analysis are then combined with other elements in the overall assessment model to contribute to an overall need

Table 10.2 Assessing total need for market and affordable housing—Wider Bristol Housing HMA 2014–2036

Components of need	Household need market	Household need affordable	Housing required overall
1. Unmet need for affordable housing 2014 (from Table 10.1)		11,228	11,228
2. Supply of housing vacated (from data underling Table 10.1)	6192	3615	9807
3. Overall impact current affordable need (rows 1+2)	-6192	+7,613	+1421
4. Net increase in affordable housing need 2014–16		1982	1982
5. Forecast affordable housing completions		-1292	-1292
6. Projected impact affordable housing needs 2016 (rows 3+4+5)	-6192	+8303	+2111
7. Newly forming households 2016–36	156,014	51,615	207,629
8. Household dissolutions following death	-94,379	-23,951	-118,331
9. Net household growth within Wider Bristol HMA (rows 7+8)	61,635	27,664	89,299
10. Impact of existing households falling into need	-34,969	34,969	0
11. Impact of existing households climbing out of need	36,004	-36,004	0
12. Impact of households migrating to/from area	-7195	-6300	-13,495
13. Future need for market and affordable housing 2016–36 (rows 9+10+11+12)	55,475	20,329	75,804
14. Projected impact of affordable housing need in 2016 (row 6)	-6192	+8303	+2111
15. Total need for market and affordable housing (rows 13+14)	49,823	28,632	79,915
16. Average annual need for housing	2464	1432	3896
17. Proportion market/affordable %	63 %	37 %	100 %

Source: As for Table 10.1

figure, as shown in Table 10.2. This time the columns refer to market housing need/demand, affordable need and overall housing requirement, respectively. The baseline needs from Table 10.1 refer to 2014, and these need to be rolled forward to 2016, the base year for the land use plan. This adds a small amount to the need 'backlog' because newly arising need somewhat exceeds the known likely number of affordable housing completions. The next section of the table covers the most important driver of the overall need assessment, looking forward 20 years, which is the household projection. Net household growth of 89,300 is shown to be the result of 207,600 new households forming, while 118,330 dissolve through death. The division of these numbers into those able to afford market housing and others relies upon the analysis of current/recent HB/LHA claiming by households by age group and household type, linked to the household projections detailed outputs on household type by age at future dates. This assumes that the current benefit regime continues into the future, and that relative income distribution remains unchanged. The analysis uses the same underlying data to estimate (a) the number and proportion of newly forming households each year who need affordable housing; (b) the number and proportion of in-and-out migrant households likewise; and (c) the number of households whose circumstances and incomes change such that they move in or out of need. It can be seen that the dominant influence on future housing need is the large excess between new household formation and household dissolution, and the fact that a high proportion of newly forming households cannot, at the outset, afford market housing. The migration component, and the people falling into or climbing out of need components, are both net negatives; the former because migrants tend to be better off, and the latter because households tend to improve their capacity to afford housing as they mature (thanks to marriage/partnership formation, rising career incomes, acquisition of assets and equity).

Towards the bottom of the table, the existing unmet need is combined with the projected future need, and the resulting numbers shown as annual flows and percentage shares. In this instance, it is suggested that 37 % of the housing required over the plan period will need to be 'affordable'.

Table 10.3 Full assessment of planning requirements for new housing—Wider Bristol HMA, 2016–36

Stage	Households	Dwellings
1. Demographic starting point: DCLG household projections 2016–36	78,538	81,308
2. Adjustment for long-term migration trends	–2734	–2830
3. Baseline projections allowing for local circumstances (rows 1+2)	75,804	78,478
4. Adjustment for suppressed household formation rates	1421	1471
5. Baseline housing need based on demographics (rows 3+4+5)	77,225	79,949
6. Adjustment to balance jobs and workers		0
7. Adjustment in response to market signals		4415
8. Adjustment in response to backlog of housing provision 2012–16		4019
9. Combined impact of adjustments (higher of rows 7,8)		4415
10. 'Full objectively assessed need for housing' 2016–36 (rows 5+9)		86,364

Source: Wider Bristol 2015 SHMA

The final stage in bringing the numbers together is shown in Table 10.3. Here, future household needs are translated into dwelling numbers, incorporating an allowance for vacancies and second homes. There is also an adjustment away from the official household projections, to reflect a view taken by the local authorities and the consultant that migration rates within the projection should be based on the previous ten years rather than the previous five. The most recent figures were influenced by a severe recession and a longer base period is argued to be more reliable. A second adjustment is to add the figure of 1421 from Table 10.1 (total of col. 3), household need which was suppressed/not revealed in the actual household numbers in the base year. Three further adjustments were then provided for, again as suggested in the DCLG practice guidance. On the first of these, jobs/worker balance, it is argued that no adjustment is required. On the second, a small adjustment is made on account of the fact that house prices were higher/market affordability poorer, than in benchmark areas or nationally—we comment further on this below. A third adjustment identified relates to the shortfall between affordable

need and supply in the period 2012–16, but it should be noted that these adjustments are treated as overlapping rather than additive.

One of the authors has been involved in providing an independent commentary on and assessment of this particular SHMA, and some main points emerging from that are highlighted here, to draw out some of the more challenging underlying issues.

Firstly, as a general comment, the method and its results can be seen to be very strongly tied to and dominated by the traditional extrapolative demographic-based household projections. There are significant dangers in uncritical reliance on household projections (Bramley and Watkins 2014, 2016; Bramley 2015b), particularly around ‘circularity’ (restricted supply leading to low apparent future need) and getting out of phase with cycles (reducing planned provision when it should be increased). The extremely large reduction in the official projected growth for Wider Bristol between 2008 and 2012 projections undermines confidence, as do other features including the negative need attributable to migration. Second, the amount of attention given to market conditions and signals seems small and its impact on the results marginal. We can demonstrate from a reputable economic model of the system that the trade-off between supply increases and affordability improvements is roughly 5:1 in proportional terms, which means that the SHMA is quite wrong to suggest that a 7.5 % uplift in plan numbers is an appropriate response to market signals, when a more appropriate response would be in the range 35–60 %.

Thirdly, evidence can be presented that the employment growth potential of Wider Bristol is relatively high, among the highest of the comparable set of city-regions. In the light of this, it is surprising that the SHMA does not identify employment prospects as a factor weighing in favour of higher housing plans. Finally, the annual need for affordable housing (1432 or 37 % of all new supply), while probably justified in needs terms, lacks credibility as something which can be delivered in the actual policy and market situation which now prevails. Realistic affordable housing quotas in plans and s.106 agreements are likely to be lower, which means the only route to delivering this level of affordable housing will be through increasing the total housing numbers substantially.

Formulating the Housing Strategy

The housing needs and market analysis should provide a basis for determining:

- the match between the existing housing stock and the demographic profile of the area
- particular groups with unmet housing needs
- the availability and/or loss of lower priced housing
- changing tenure trends amongst particular age cohorts and,
- the quantity, characteristics, price and tenure of new housing likely to be required in the short-, medium- and long-term future.

This analysis provides a basis for formulating the range of specific strategies to pursue the overarching local or regional housing objectives. In practice, of course, the strategy will reflect a combination of the assessed housing needs and the available policy levers/resources able to address these needs within a given timeframe and within the wider policy and legal frameworks which delimit planning control and housing development processes. As noted throughout this book, central and local level jurisdictions differ in their respective roles for housing policy and assistance and in their powers of urban planning and development control. The scope of local government authority and the existence of regional level authorities or powers also affect the scale of strategic intervention in the housing market that may be possible.

Table 10.4 compares three different local housing strategies, applying to New York City, the Greater London Authority and the City of Melbourne. The comparison highlights the different ways in which local authorities mobilise available evidence and resources, to address housing issues within their jurisdictions. Of course the plans also reflect political statements as well, produced by Mayors Bill de Blasio (New York), Boris Johnson (London), and the Melbourne City Council, respectively. While the New York and London plans apply to global cities of similar population size (about 8.4 million people), the population covered by the Melbourne plan is much smaller (around 116,000 people and a relatively

Table 10.4 A comparison of three local housing strategies

	Housing New York	London Housing Strategy	Homes for People; City of Melbourne
Scale	5 Boroughs, 10 years (2014–2024)	Greater London Authority (GLA) (33 Boroughs) (2015–2018)	City of Melbourne local government area (2014–2018)
Study/analysis	Population = 8.4 million; growth = about 1 % per annum	8.4 million (2013); about 1.3 % per annum	116,000 (2014)
Demographic/economic trends	35,000 households per year	40,000 new households per year Strong economic growth 1997–2012	3–8 % per annum (150,000 by 2021)

(continued)

Table 10.4 (continued)

	Housing New York	London Housing Strategy	Homes for People; City of Melbourne
Housing market trends	1 million earning less than 50 % AMI but only 425,000 affordable units	48,000 dwellings needed per year producing around 20–25,000 per year (but permissions for 200,000 dwellings)	50 % of renters in housing stress
*Demand and supply indicators	30 % of renters (1 million) spend more than 50 % of income on rent	Growing private rental sector (falling home ownership)	\$128 weekly shortfall for dual median income, household to afford the median rent on a 2-bedroom apartment
*Tenure	50,000 in homeless shelters	6 % of dwelling stock is overcrowded—11 % in private rental, 14 % in social rental	12,878 shortfall of affordable dwellings (19 % of total housing stock)
*Special needs	Mismatch between dwelling units and household characteristics (need for smaller apartments)	42,430 people in homeless accommodation per night	Vacancy rates = 3–9.5 % of stock (but falling)
		344,300 households on waiting list for social housing	Regionally, 2 % of homes within 56-minute commute of the CBD
		Affordable housing need = 25,624 units per year	affordable for low-income worker
		0.7 % of stock vacant for more than 6 months	Mismatch between dwelling size and resident needs
Policy goals/objectives	Development/preservation of 200,000 affordable housing units by 2024	48,000 new homes per year	Deliver 1721 subsidised homes by 2024
Housing delivery/targets	80 % of these = new construction; 78 % of total for low, very low and extremely low-income groups	17,000 to be affordable rent/buy (moderated in light of available subsidies/feasibility)	Additional 24,000 dwellings anticipated by 2021

(continued)

Table 10.4 (continued)

	Housing New York	London Housing Strategy	Homes for People; City of Melbourne
Key Strategies	<p>Support jobs through investment in housing strategy</p> <p>Introduce mandatory inclusionary zoning scheme</p> <p>Use of city sites and other government land/land owned by non-profits</p> <p>City budget to support projects & offer financial leveraging for affordable housing development</p> <p>New housing products, including infill affordable housing</p> <p>Small infill sites for affordable home ownership</p> <p>Encourage smaller apartments</p> <p>Develop vacant sites, and identify vacancy/underutilisation in public housing stock</p>	<p>Support jobs through affordable/housing construction</p> <p>Improve housing quality—design code for minimum space; 10 % of dwellings to be wheelchair adaptable</p> <p>Reduce overcrowding</p> <p>Encourage innovative construction</p> <p>Introduce diversity of housing products—younger workers; the aged</p> <p>Low cost home ownership options for ‘intermediate’ housing sector, that is, lower-income workers</p> <p>Discounted/capped rents for very low income</p> <p>Improve quality and security of private rental (e.g. long-term leases)</p> <p>Reduce number of vacant homes</p> <p>Unlock ‘stalled sites’</p> <p>City funds/loans/guarantees/land</p> <p>Housing associations (encouraged to borrow against assets)</p> <p>Central government (capital funding)</p>	<p>Deliver affordable housing dwellings (about 6 % of total projected new dwellings, by imposing 15 % target on projects not yet permitted)</p> <p>Impose up to 15 % target for affordable housing on City’s land</p> <p>Introduce development/density bonus scheme (although current density permitted in high-density residential zones is unlimited)</p> <p>Improve design quality and environmental performance</p> <p>Coordinate with other local government authorities in surrounding areas</p> <p>City land—‘up to’ 15 % for affordable housing</p> <p>Commonwealth funding (if available)</p>
Resources	<p>City capital and other funds (and land), Federal and State funding programmes, private equity</p>		

Source: The authors, with reference to New York City 2014, Mayor of London 2014, City of Melbourne 2014

small inner city core of 36 km²). The City of Melbourne forms the centre of the much larger Melbourne metropolitan area with a population of about 4.4 million people and spanning around 9900 km²; governance remains divided into 28 discrete local government areas. Melbourne is the second largest city in Australia and, like Sydney, has been affected by steep house price inflation and affordability pressures.

The strategies are chosen for comparison because each represents a key reference point or benchmark within their own countries of origin, and more widely in relation to New York and London (Marom and Carmon 2015). Each strategy was completed in 2014, and relates to slightly different timeframes (10 years for the New York Plan and 3–4 years for London and Melbourne, although longer planning horizons are recognised). Although both London and New York have long histories of planning for housing (with the first 10-year housing strategy for New York launched in 1986), the Melbourne Strategy represents a more recent attempt for a city council to develop awareness about housing affordability and design issues.

Affordability pressures clearly beset each city, yet the strategies defined by each city government to address these pressures are distinct. The London Plan is informed by a comprehensive SMHA, which, in turn, follows the standardised approach for undertaking housing market analyses in England as described in relation to Bristol. Annual monitoring and reporting are undertaken against this assessment and the commitments outlined in the London plan. By contrast, the information base informing the New York plan is more bespoke, drawing on data collected specifically for the planning process. The Melbourne plan relies primarily on available indicators based on median incomes and median rental data to determine affordability, and qualitative assessment of the design quality and environmental performance of new housing development.

Both the London and New York plans have been criticised in recent years for focussing primarily on the needs of moderate-income earners at the expense of low and very low-income groups (Marom and Carmon 2015). However, the current London and New York plans

appear to emphasise a reorientation towards those at the bottom of the income spectrum, along with commitment to additional subsidy to address the needs of these groups through dedication of local authority land to housing projects, and the use of City funds, particularly to leverage other resources. The aims—and resource commitments—of the Melbourne plan are much more modest when it comes to providing for affordable housing. Yet when considered in the context of wider efforts to plan for affordable housing provision in Australia the Melbourne plan reflects what might be regarded as leading practice (Gurran 2003; Williams 2000; Gurran et al. 2008; van den Nouwelant et al. 2014).

This comparison of three contemporary housing strategies illuminates some of the strategic opportunities and constraints that may face local or regional planning authorities in developing a housing strategy on the ground. Table 10.5 draws on our work in this area over a number of years to summarise the range of strategic options in a more generalisable and open-ended way, in response to a set of specific housing needs and market characteristics.

As shown in the table, a variety of different land use planning and other approaches can be used to address particular housing needs and market trends, depending on the availability of resources to support specific initiatives. These include identifying opportunities to change planning controls so they support more diverse housing options in line with changing population needs; targeted improvements to local infrastructure and service delivery; and, to address spatially concentrated disadvantage measures to protect and promote affordable housing supply.

Regular monitoring is important to determine the extent to which strategic actions are being carried out, and potentially, the impacts of these actions. This involves regular reporting on strategy milestones, and ways to address any implementation barriers. While it is more difficult to determine the impact of housing strategies on levels of housing need within a locality or region, regular updating of the key housing trends (identified during the housing study) is important to identify potential outcomes as well as emerging problems.

Table 10.5 Developing housing strategies in response to specific housing needs and market characteristics

Housing Market Analysis	Strategic Response
<p>Need for additional housing for projected population increase associated with forecast economic/employment trends, e.g.:</p> <ul style="list-style-type: none"> • Anticipated new industrial development • Growth in service sector • Ageing population and need for aged care services • Seasonal employment trends 	<p>Assess capacity within existing housing stock and supply of residential land; identify new housing opportunities; consider allocating new areas for residential uses or permitting additional higher density residential development in appropriate locations (near transport and services)</p> <p>Consider introducing planning approaches to ensure affordability of housing for “key workers” and those in the service sector (e.g. nurses, personal care assistants, childcare workers, hospitality staff, teachers, police)</p> <p>Consider need for appropriate seasonal housing opportunities, such as well located and serviced caravan parks, manufactured home estates, or zoning provisions for temporary/permanent employee housing</p>
<p>Changing demographic profile and household size e.g.:</p> <ul style="list-style-type: none"> • Increase in numbers of families with children or group households • Increase in couple or lone person households • Ageing population 	<p>Assess residential development opportunities and consider changing controls to encourage:</p> <ul style="list-style-type: none"> • A sufficient new supply of larger or smaller dwellings (for instance, a requirement that medium density developments include a minimum number of one-, two- and three-bedroom configurations) • A sufficient supply of adaptable or accessible housing (for instance requirements that certain housing forms include a proportion of adaptable housing) • Different residential lot sizes to promote housing diversity in suburban settings
<p>Proportion of population on very low incomes experiencing housing stress or at risk of housing stress, including:</p> <ul style="list-style-type: none"> • Increasing numbers of homeless people or people at risk of homelessness • People living in semi-permanent accommodation such as residential parks and manufactured home estates 	<p>Foster additional forms of crisis and supported accommodation serving the needs of particular groups at risk of homelessness.</p> <p>Enhancing local community services for people in housing need, such as emergency referral networks</p>

(continued)

Table 10.5 (continued)

Housing Market Analysis	Strategic Response
<p>High spatial concentrations of people on low incomes, who may be at risk of social marginalisation or exclusion, such as:</p> <ul style="list-style-type: none"> • Large public housing estates • Large concentrations of private tenants on low or moderate incomes 	<p>Encourage infrastructure investment in local infrastructure and facilities, to improve accessibility and amenities within the area</p> <p>Consider working with social housing landlords to improve services for tenants or to promote new, mixed residential developments within or in proximity to large estates</p> <p>Consider ways to coordinate services for low income private tenants</p>
<p>Loss or shortage of low cost rental housing stock and declining housing affordability</p> <p>Shortage of social housing opportunities</p>	<p>In addition to the above strategies, introduce planning approaches to secure existing supplies of low cost housing and deliver new affordable homes in new and renewing communities (discussed further in chapter 11)</p> <p>Consider facilitating specific housing projects for affordable housing or special needs groups</p> <p>Develop an advocacy strategy to demonstrate the need for more affordable housing within the local community</p>
<p>Low/declining demand for housing in certain neighbourhoods, leading to risk of abandonment, 'trapped' low income owners, environmental deterioration, 'ghost estates'</p>	<p>Review overall housing plans/strategy to curb overall oversupply in market</p> <p>Measures to acquire or lease vacant property for let to households in need</p> <p>Area-based regeneration programmes</p> <p>'Greening' initiatives</p>

Source: Adapted from Gurran et al. (2008)

Conclusion

National and international economic and social trends and policies have different impacts at regional and local scales, where housing is produced and consumed. Regional and local housing strategies provide a basis for examining these trends and their interactions with the local housing market in a holistic way, and potentially intervening at that scale. This chapter has introduced the methods and data sources for informing a regional or local housing strategy, and the range of policy objectives and considerations that such strategies are increasingly expected to address. Although the scope of analysis, the objectives and the range of policy actions are often delimited by the availability of data sources and parameters set by higher levels of government, local housing strategies also reflect local political priorities and concerns about the housing market. In contexts without a central government mandate for undertaking local housing needs assessments and developing appropriate policy responses, much will depend on the capacity of local practitioners—planners and housing policy officers—and the awareness and political commitment of elected representatives. Fundamentally, housing strategies also depend on resources and regulatory powers for implementation. In cases where local authorities are able to mobilise multiple and diverse sources to fund affordable housing initiatives, such as the two examples provided of New York and London, the depth and range of strategies addressed should be comprehensive. However, other local authorities may regard the process of developing a local housing strategy as an opportunity for awareness and coalition building, as a means of communicating to stakeholders within and beyond government about the scale of unmet housing need and/or the opportunities to significantly enhance local and regional housing outcomes. As highlighted in this chapter and throughout this book, the planning system in particular, may inhibit or support affordable and diverse housing outcomes within new and changing communities. We examine these potential planning approaches in much greater detail in Chap. 11.

11

Planning for Inclusionary Housing in New and Renewing Communities

Introduction

Whether the planning system contributes to or can help solve housing affordability problems has been a constant theme throughout this book. On the one hand, there are concerns that regulatory burdens associated with the planning system might constrain land supply and push up house prices. On the other, there is potential to use these very regulations to secure particular affordable housing objectives—lower-cost rental and home ownership opportunities within new and renewing communities. One of the major objections in the literature and in practice to planning for affordable housing, is that these approaches also add to the regulatory burden facing private developers and generally represent additional costs that may affect viability and be passed on to another party, including the consumer. The examples documented in this book—from the USA, the UK, Hong Kong and even Australia, have all operated within a context of ongoing challenge and ambivalence due to such concerns. However, economic theory suggests that in a wide range of circumstances the ‘costs’ will be passed back to the landowner and, once established as part of normal expectations, will not greatly affect supply, although in

weak markets or on some brownfield sites this may be more problematic. Similarly, empirical evidence that affordable housing requirements constrain supply or increase the market price of housing development is limited; indeed, some modelling work suggests that affordable housing may increase the supply of market housing (Bramley and Watkins 2015). From a broader policy perspective, in the context of declining state funds for traditional social housing and the growing importance of intermediate forms of affordable provision, there is potential for the planning system to support the evolution of the housing market to accommodate supply for all tenures in a more inclusionary way. This chapter draws together these considerations in outlining the range of approaches to planning for affordable housing, using the examples provided in earlier chapters of the book and documented in the wider scholarly and practice literature.

The first section of this chapter explains the rationale and policy arguments for addressing affordable housing through the planning system. In this chapter, and drawing on common conventions, the term ‘affordable housing’ refers to housing which is available to low- and moderate-income households, often at below market price or rent so that they can afford this outlay without excessive financial risk or enforced material poverty (Bramley 2012). As discussed further, a number of different housing products fall within this definition—from traditional social rental housing through to low-cost (unsubsidised) private housing for ownership or rent. Overall, we use the term ‘inclusionary housing’ to refer to these models. Different planning approaches are used to support or deliver inclusionary housing, reviewed in the second section of this chapter. The final section of this chapter outlines specific market conditions and wider contextual factors which might influence the selection or design of particular mechanisms for inclusionary housing development.

What is Affordable Housing in the Planning Context?

In previous chapters, we have discussed different approaches to defining affordable housing, particularly in the context of undertaking an assessment of local or regional housing need. Affordable housing has a slightly different meaning than the wider term ‘housing affordability’, which

simply describes the relationship between housing costs—rents or mortgage repayments and incomes. The definition of affordable housing is often tied to specific programmes or planning initiatives for delivering new affordable housing opportunities.

Traditional rule of thumb norms commonly used to denote affordability generally refer to the ratio between housing costs and incomes, with 25–30 % being the most common ‘reasonable’ ratio. Exactly what ratio is used may depend on what is counted as part of housing costs and whether income is gross or net of taxes. It also matters where you are in the income distribution; 30 % of very little is very little, and the remaining 70 % is also very little; in other words, your residual income may not be enough to subsist on. Hence, in many instances, eligibility is defined with reference to position in the income spectrum as well as the cost:income ratio. To take one example, according to the ‘30/40 rule’ housing is said to be affordable when rent or mortgage payments account for between 25 and 30 % of household income, across the bottom two-income quintiles. In many cases, the definitions of affordable housing extend to include moderate-income earners—those in the third quintile earning up to 120 % of area median incomes. Thus, affordable housing addresses the needs of households whose incomes are not sufficient to allow them to access appropriate housing in the market without assistance (Milligan et al. 2004). This definition could include traditional forms of public or social housing, which can be supported through specific planning system interventions or exemptions. Many other kinds of affordable housing products may be secured through the planning process, provided that there is a specific planning mechanism or process for encouraging or requiring the affordable housing to be generated, and for monitoring delivery. As noted earlier, these products include housing for a fixed term or secure letting at below market rent, shared home ownership or equity (where an equity partner provides free or subsidised capital to assist a home buyer to access affordable housing); subsidised or discounted home purchase, as well as unsubsidised lower-cost forms of housing delivered through the private market, for example, the so-called Starter Homes in the UK.

Given that planning decisions affect the broad range of housing outcomes—and have a complex relationship to supply and demand factors and to the cyclical and spatial dynamics of housing markets, it is worth considering whether a definition of affordable housing must be linked to

a particular model or tenure. Strict legal definitions of affordable housing may be needed in some cases to support specific planning interventions, for instance, to define and enforce developer obligations. However, as the following sections highlight, some fluidity with respect to the types of affordable housing able to be delivered might make planning requirements more palatable to developers and increase the overall yield of affordable homes delivered.

Why Plan for Inclusionary Housing?

Nations such as the UK, the Netherlands and parts of the USA have long and distinct traditions of planning for affordable housing (Calavita et al. 2010). For instance, affordable housing has been a ‘material consideration’ under the planning system in England since 1991, obliging planners to consider affordable housing when land is allocated and when particular proposals are assessed (Crook and Whitehead 2000). However, in other nations, the extent to which affordable housing is able to be addressed within the planning system remains contentious and may vary across the state and city jurisdictions (as in the USA and Australia) (Wiener and Barton 2014; Williams 2000). In these contexts, it can be important to justify reasons for addressing affordable housing within the planning framework.

A series of normative urban policy arguments have emerged to persuade local political representatives and communities of the need to consider affordable housing when local plans are made and when considering particular developments. Strong justifications may also be needed to amend planning systems so local authorities can require affordable housing through their planning powers. Such arguments may proceed from the global pressures and agendas—such as the role of affordable housing in supporting economic vitality and competitiveness in an international economy (Barker 2004; Brunick 2004). For cities, affordable accommodation is needed to attract and retain ‘key workers’ such as police, nurses, automobile mechanics and teachers, and support economic growth (Barker 2004; Berry 2006; Oxley 2004). In the UK, the national government’s drive to improve the performance of public ser-

vices like health and education through this mechanism was important in the early 2000s. It is also argued that businesses struggle to attract and retain highly skilled and talented workers when housing opportunities are constrained, reducing the depth of the labour pool. Housing costs may also deter new firms from locating in a city, because of potentially higher wage costs. Arguments of this kind have been important in relation to economically dynamic city regions such as Cambridge and Bristol in England, and New York, San Francisco and Boston in the USA.

The inverse of this argument is the need for local sources of affordable housing to enable younger and older generations to retain their social and familial support networks. This argument is often used to build local political support for affordable housing strategies and to address community opposition to new housing development, particularly housing development for lower-income residents. In the UK, this argument has been quite potent in rural areas, where it also links with the issues of key workers and local services mentioned earlier (Satsangi et al. 2010). A variation of this point emphasises the opportunity to overcome social and racial segregation in urban areas, which in the context of the USA are thought to limit education and employment opportunities for lower-income groups (Bratt and Vladeck 2014). In other situations where concentrations of social disadvantage and poverty tend to coincide with low accessibility to public transport and centres of employment, inclusionary housing programmes offer a strategy for ensuring that affordable housing is situated in high-value (and accessible) locations (Calavita et al. 2010).

Similarly, there are environmental benefits of ensuring affordable housing is situated near jobs and services, to reduce urban sprawl and traffic congestion (Jones et al. 2010). An extension of this argument is that urban consolidation or growth management strategies are less likely to succeed without specific provision for affordable housing within the existing urban area. As housing densities increase around well-located and serviced centres, house prices and rents typically rise (and, if permitted, vice versa). Without dedicated provision to maintain equivalent lower-cost housing opportunities within these well-located areas, there will be ongoing pressure for housing development on the urban fringe. Although one claimed rationale for urban containment is that higher density within the

existing urban footprint will increase the supply of diverse and potentially lower-cost housing opportunities, a dedicated strategy is typically needed to offset the loss of existing accommodation and to provide a pipeline of new affordable homes for lower-income groups.

There are other important social reasons to consider affordable housing through the planning process. These include the need to address inadvertent impacts on the availability of low-cost housing, which arise from specific or general planning interventions—such as environmental protection, growth management or urban containment policies (Bramley et al. 1995; Addison, Zhang et al. 2013; Aurand 2014). These approaches tend to increase the value of urban land (by restricting peripheral expansion and/or permitting more intense housing development and redevelopment), which in turn can displace or disadvantage lower-income renters. In England, the recognition that urban containment policies would generally have these effects lies implicitly behind the formal recognition in the planning system that ‘a community’s need for affordable housing is a material consideration’. In that sense, the planning obligation introduced acts to compensate a group disadvantaged by the plan, whilst the cost of the obligation falls on the party who would otherwise secure a windfall gain, the landowner. Positive public and private interventions too—such as the introduction of a new transit system—also have profound effects on local land values. The US Federal Transit Administration actively promotes guidance on planning system and value capture mechanisms to support mixed-income housing near transit projects (Center for Transit Oriented Development 2009), and includes the existence of affordable housing policies as part of its funding assessment.

It can be argued that affordable housing is an essential community infrastructure, such as parks, roads or schools. In the same way, therefore, land for affordable housing should also be reserved before land values rise. This argument has particular resonance because in most nations the development and provision of affordable housing is largely undertaken by non-profit entities. Finally, as emphasised earlier, the public process of land use planning results in significant (unearned) windfall gains to some landholders, so there is an opportunity and perhaps a public imperative to ensure that some of this private gain is redirected towards wider community benefit.

Emergence of Inclusionary Housing Models

As noted in earlier chapters, inclusionary housing models emerged in the late 1960s in the USA and the 1970s in Britain. The term ‘inclusionary’ is a deliberate inversion of the ‘exclusionary’ zoning practices used in some suburban areas of the USA, where minimum building setbacks and strict design requirements for detached homes in residential neighbourhoods were intended to ‘exclude’ people of lower incomes or different race (Fischel 2004). Thus ‘inclusionary’ zoning became a specific technique for overcoming spatial segregation by race or class, by requiring affordable housing as part of all development within housing zones. One of the more powerful arguments for inclusionary housing approaches both in the USA and in other nations, is that it produces units in a geographically dispersed, rather than concentrated pattern (Schuetz et al. 2011). Some jurisdictions in the USA also introduced mechanisms to overrule local zoning or other barriers to affordable housing, under the so-called anti-snob laws, which liberate low-cost housing developers from local planning restrictions, where the existing supply of affordable housing is insufficient (Cowan 2006).

In England, the ‘rural exceptions’ policy, which allows rural lands to be developed to service local affordable housing need, follows a similar logic of permitting exceptions to local planning schemes for the purpose of low-cost housing provision (Gallent 2009). This policy works alongside England’s wider framework for considering affordable housing as a ‘material consideration’ in planning decisions (established with the circulation of National Planning Guidance in 1992) (Whitehead 2007). The system requires local authorities to plan for projected affordable housing need, and negotiate affordable housing contributions from developers levied as a condition of planning approval, under section 106 of the *Town and Country Planning Act 1990*.

In recent years, there has been growing interest in inclusionary housing schemes in other parts of the world—including Europe, parts of Asia, Australasia and Africa (Calavita et al. 2010; Austin et al. 2013). In part, this interest reflects declining government funds for social and affordable housing provision (and escalating need) (Beer et al. 2007). However, in some cases, these approaches have also been greeted with

suspicion by housing advocates (who fear planning mechanisms will be used to replace government funding for affordable housing) (Calavita et al. 2010) and by developers who claim that affordable housing requirements place an unfair burden on private developers and make new homes more expensive to construct. The latter argument has had particular resonance in the post-GFC period (Hickey 2013; Morrison and Burgess 2014).

Impacts and Outcomes of Affordable Housing Schemes

It is difficult to generalise about the outcomes of inclusionary housing programmes because the range of schemes is very diverse. Whilst not a complete substitute for government funding for affordable housing provision, there is evidence that inclusionary housing can ‘stretch’ available government resources and even improve take-up of incentive schemes. For instance, over the past decade, a sizeable proportion of affordable housing completions in England involved sites or projects supported by the s106 process, as shown in Chap. 4, even in the post-GFC environment (Morrison and Burgess 2014). In modelling local housing outcomes across England, Bramley and Watkins (2016) found that localities with higher levels of new affordable housing provision tended to also exhibit increased housing supply overall, implying that the s106 requirements were supportive or at worst neutral in relation to the market (Bramley and Watkins 2016).

However, a recent review of the literature and of specific programmes and apparent market effects in the USA suggests that both benefits and costs of inclusionary schemes have been overstated:

“The ideological debate over inclusionary zoning (IZ) has greatly exaggerated both the benefits and dangers of IZ: any negative effects on housing prices and production have been relatively slight, but only modest amounts of affordable housing have been produced through IZ programmes. We also find that IZ has different impacts on local housing markets, depending on the condition of regional housing prices.” (Schuetz et al. 2009, p. 298)

The study focussed on schemes operating in the comparatively high-value markets of San Francisco and Boston in the USA, which are also known for relatively strict planning regimes. However, in the case of Boston, state law offers affordable housing developers relief from local restrictions, if local supplies of low-cost housing fall beneath a threshold (as outlined in Chap. 5). In the context of this pervasive mechanism, the relative significance of local inclusionary zoning schemes in delivering affordable housing appeared smaller than might otherwise have been the case (Schuetz et al. 2011). Further, the authors noted that as one of many planning requirements, affordable housing obligations may have less of an impact on the cost of housing development in these tight regulatory contexts than they would under looser regulatory regimes. Similarly, in high-value areas developers are more willing and financially able to comply with planning obligations, making the affordable requirement less of a burden. Elsewhere, another study of inclusionary programmes in California found no discernible impact on the overall number of residential permits, but that certain types of dwellings such as single-family homes became less prevalent, and the mean housing size became smaller (Lewis 2005). Of course, both of these outcomes might suggest that inclusionary housing requirements are also providing a wider signal about the costs of large, low-density housing development versus the potential benefits of efficient and contained settlement patterns.

Understanding Differences

Nevertheless, it is very important to consider fundamental differences in land allocation and development control across different countries before drawing conclusions about particular types of schemes and the potential benefits of adapting approaches for different settings. Multi-country studies (e.g. Calavita and Mallach 2010) emphasise the need to consider institutional and regulatory differences to understand how specific inclusionary housing schemes operate in practice. These differences include the level(s) of government responsible for planning decisions, and the degree of local autonomy within this framework; types of rules

and requirements able to be included in land use plans; and the extent to which decisions are ‘discretionary’ or subject to pre-set criteria (such as a land use zone and a codified development control). Mechanisms for the funding of infrastructure or other community requirements represent another key difference. The extent to which decisions are affected by local political processes (for instance, subject to voting by politicians or determined by expert bureaucrats) may also be important (Landis 2006).

For instance, in jurisdictions where there is central government involvement in urban development and housing policy—such as the UK and Hong Kong—there seems to be greater weight placed on policy objectives for affordable housing, and greater consistency in approaches and outcomes at the local level. Conversely, where local jurisdictions have the primary role in policy definition and implementation—such as in the USA, it is likely that greater variation will arise even at the sub-regional scale. In Australia and the USA, the clear separation of housing and urban planning policy and responsibilities (with housing assistance funded at the federal level, and planning systems governed by the states) seems to have contributed to the sharp tensions between facilitating urban growth and residential development on the one hand (constrained primarily by the concerns of existing home owners within existing communities) and addressing the housing needs of lower-income groups on the other.

The Timing of Value Uplift

As noted in previous chapters, some planning systems are characterised by a highly codified approach to development regulation—for instance, through land use zoning and prescriptive development controls. This means that if a development is a permissible use on the site for which it is proposed, and conforms with applicable rules for design and appearance, then a development ‘right’ can usually be inferred. This provides certainty for developers and usually means that the planning process is faster. On the other hand, unless requirements for affordable housing are codified within these rules (such as through an inclusionary zoning

scheme) there will be very limited opportunity to implement them as part of the planning approval process. In this type of planning system, a base residential land value (as a function of development opportunity) is largely conferred when the rules are set by the planning authority. The opportunity to negotiate some affordable housing content may then arise through trading some concession on density, which raises land value above the base level (although this too is problematic as discussed in Chap. 5 and further). The planning systems in the USA generally fit this model.

Other planning systems are characterised by their highly negotiated character, by which all development must be assessed on its merits, in the context of existing planning rules and guidelines. This approach may take longer for assessments to conclude but can also offer opportunities to negotiate for community benefits on a case by case basis, albeit within the context of strong planning regulations and guidance. The difference is that the 'right' to development cannot be assumed in this context, so the real land value is largely conferred when approval for a particular development is granted. The planning systems of the UK and Ireland conform to this discretionary model (White and Allmendinger 2003). Australia fits somewhere between the American and British approach. Whilst there is an increasing emphasis on codifying development rules (and entitlements) through planning and zoning schemes, there is always capacity to negotiate variations to these rules and even to have them set aside, particularly for major projects. Landowners can also submit a request to rezone their land along with an application for development, suggesting that even a system of fixed 'rules' can operate in a flexible way. But this makes determining the question of value uplift very difficult, since most land developers will anticipate the desired development use (and thus any changes to planning rules), prior to bidding for a site. Therefore values might lift in anticipation of changes. Similarly, the practice of exhibiting proposed changes to planning rules also introduces uncertainty as to the timing of value uplift, since speculative land acquisitions would be expected to pre-empt foreshadowed rezonings.

A third case is that where most land for major housing development is in public ownership. This enables value to be established by the planning

scheme set for the site, with allowance for zero or low values to apply to land to be used for social or affordable housing. This mechanism would appear to avoid the problems surrounding a speculative land market as outlined earlier. Hong Kong and China exemplify this case, as described in Chap. 8.

Planning Requirements and the Range of Affordable Housing Products

The availability of capital funding for affordable housing development—either public or private sector sources—is a major difference between jurisdictions. Figure 11.1 shows a range of housing products on a continuum of need and required subsidy from emergency housing (high need, high government subsidy requirements) through to market housing (moderate need, minimal subsidy). In general, the further down the continuum towards market housing, the lower the level of government subsidy required. When considering opportunities to use the planning

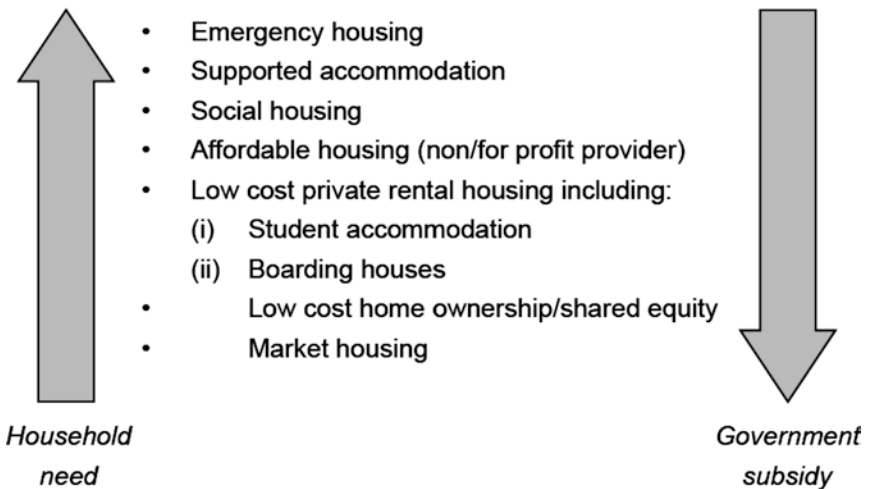


Fig. 11.1 Affordable housing products, housing need and government subsidy (Source: Milligan et al. 2010)

system to secure affordable housing, the extent to which subsidy for particular housing models is required or needed becomes an important consideration. This becomes an exercise in trade-offs determined in relation to the existing sources of affordable housing and the needs of a particular community versus the likely availability of capital funding for affordable housing construction. Without additional capital funding, all of the costs of delivering affordable housing units will need to be internalised as part of the planning and development process.

The following sections turn to operational considerations in planning for affordable housing.

Planning for Affordable Housing

Specific planning mechanisms or levers able to be used for inclusionary housing can be grouped loosely within three categories: (1) to protect existing sources of low-cost housing under pressure from gentrification or redevelopment; (2) to promote or enable affordable housing in the market; and (3) to produce dedicated sources of affordable housing for low and moderate income groups to rent or buy.

A range of planning and related approaches and mechanisms have emerged in different jurisdictions in relation to each of these categories and the key housing problems requiring attention, in particular, local or regional housing markets. Summarised in Table 11.1, and discussed further below, these approaches address a range of objectives from boosting overall supply, through to securing dedicated accommodation for low-income groups.

Land and Housing Supply Levers

Insufficient land for housing development is obviously associated with affordability pressures in high demand locations. Even when adequate supplies of land have been allocated (or zoned) for housing development, there can be a failure to take up these opportunities. This can be due to many reasons—landowners ‘holding out’ for a higher price; difficulties

Table 11.1 Planning strategies and mechanisms for protecting, promoting and producing new affordable housing

Strategic objective	Approach/mechanism
Increase overall housing supply	Land audit Government dedication/acquisition of land Land development or renewal authority Land development incentives/penalties Planning and funding of infrastructure
Reduce barriers to affordable housing development	Audit of existing planning controls to identify barriers Revising development controls so they permit diverse housing types, in as many locations as possible Faster approval processes for preferred housing developments Specific mechanisms to override local barriers to affordable housing (for instance, 'as of right' development entitlements for affordable housing)
Preserving and offsetting the loss of low-cost housing stock	Social impact framework for assessing impacts of development which might affect demand for affordable housing Preserving particular house types at risk (e.g. restrictions on redevelopment, flexibility for rehabilitation/replacement development) Assistance for displaced residents
Encouraging new affordable housing in the market	Incentives for diverse and lower-cost housing development, or for mixed affordable/market housing developments As 'of right' for flexible housing forms, such as accessory/'garden' dwellings, or dual occupancy dwellings Fast track approval for affordable housing meeting defined criteria Fee discounts (e.g. discounted application fees and/or infrastructure contributions)
Secure new dedicated affordable housing	Voluntary or mandatory negotiated agreements for affordable housing provision (to include affordable housing when land is rezoned/allocated for housing development, or when planning permission is granted following a variation of prevailing rules) Inclusionary zoning—mandatory contributions for all identified development in the zone Impact fees—a mandatory contribution to offset the impact of development on affordable housing

Source: derived from Gurran et al. (2008)

in assembling large parcels due to prevailing patterns of land ownership; inadequate infrastructure or locations which are expensive to service; and even a drop in the market which makes recently acquired sites unviable until demand rises again. In response to these issues, land and housing supply levers aim to enable a steady release of development opportunities to the market.

For such levers to be effective, there must be a demonstrable shortage of potential development sites, and an underlying demand for housing which is not being met. Land provided must be located in areas where existing or potential demand is focussed. This may be areas of under-utilised capacity within established urban limits or in selected new release locations. Undertaking a land audit of existing and potential residential land (across private and public ownership) is usually integral to the strategic land use planning process (and potentially for local housing strategies if undertaken), although the frequency and efficacy of such assessments vary across jurisdictions. Land audits may also be undertaken by public sector agencies in relation to their own holdings, with identified land then able to be developed and released or used for affordable housing projects.

In some jurisdictions, government or quasi-government authorities will take responsibility to acquire land in locations where growth is expected to occur. Development corporations have been used for this purpose in the UK. Although rarely used to facilitate housing development, land acquisition provisions exist in most planning legislation. These provide one option for ensuring that sites in preferred locations are able to be assembled for coordinated development, or for the provision of essential infrastructure needed to service new housing schemes.

Land development penalties can, in theory, ensure that housing development opportunities are taken up in a timely way. Penalties for withholding residential land once rezoning or permission for development is granted include imposing higher local property taxes or rates, or by instituting time limited zonings and planning permissions. Ireland has introduced strict 'use it or lose it' provisions which include a higher land tax scheme for undeveloped sites in priority growth areas (Department of Environment 2014). To ensure that developers actually complete projects once they have been formally commenced, time limited rezoning and development

permissions should be supported by enforcement provisions which might even extend to land acquisition if projects stall beyond a certain threshold time period. It is not clear how effective these approaches can be in all circumstances, particularly when markets are volatile. Public ownership of development land gives more levers of control over phasing, for example, through disposal under building licence rather than freehold disposal.

Barrier Reduction Strategies

As discussed in earlier chapters of this book (see Chaps. 1, 3 and 5 in particular), barriers to housing development overall and affordable housing, in particular, may be overt and deliberate—such as a community campaign to oppose a new project, or zoning restrictions which prohibit diverse housing types, like supported accommodation. Zoning and development control requirements can also make housing development more expensive—for instance, by requiring detached homes on large single allotments or by prescribing particular building materials (Knaap et al. 2007). Even though these requirements might be present in the guise of environmental or heritage regulations, it is important to identify when these regulations are preventing diverse housing types which would otherwise be taking place (Clingermayer 2004). In practice, this can be difficult to detect because of the considerable latitude usually given to local governments to define their own planning requirements.

Barrier reduction strategies seek to remove such obstructions. They can complement land and housing supply strategies by making it easier to use available land for low-cost and affordable housing (Department of Housing and Urban Development 2005). Typically, barrier reduction strategies are enacted by central or metropolitan/regional planning agencies to override local controls which might prohibit or discourage certain housing types or make housing more expensive to produce (like generous building setbacks or open space requirements, or the use of particular building materials). In some jurisdictions, state or national level planning provisions may specify overarching criteria for particular housing types, mandating that proposals meeting these criteria must be approved. It might be important to clarify the permissibility of manufactured homes

or caravan parks, and to overrule restrictive design standards or covenants that make housing cost more to develop or buy. For instance, long-standing state planning policy in NSW includes provisions to override restrictive zoning controls which would otherwise prevent aged accommodation, group homes for people with a disability and low-cost rental 'boarding houses' in residential areas (Gurran 2011).

Barrier removal strategies can also address procedural constraints, for instance, by offering speedier development approvals for affordable or low-cost housing proposals which meet defined criteria, and perhaps restricting the extent to which residents are able to object to or challenge a particular proposal in court. As discussed in Chap. 6, an interesting example of barrier removal strategies is the long-standing 'anti-snob' legislation in Massachusetts, which exempts affordable housing from local planning laws, if the existing supply of affordable housing falls beneath 10% (Cowan 2006). First implemented in the early 1970s, the mechanism has been instrumental in delivering around 9 % of the state's entire housing stock or more than 250,000 dwellings (Department of Housing and Community Development 2014).

Preserving and Offsetting the Loss of Low-Cost Housing

When lower-value housing markets experience increased demand, perhaps as prices rise in neighbouring localities, or preferences change, there is a strong likelihood that lower-income renters will be displaced. Pressures might arise from government-led renewal processes, or through market-driven gentrification. When the available housing stock is well located, there is also a risk that it may be converted to short-term tourist accommodation. For instance, the rise of 'Airbnb' has been associated with the displacement of permanent accommodation in cities such as New York and San Francisco, exacerbating the shortage of low-cost rental supply (New York State Attorney General 2014). Lower-cost single-room occupancy ('rooming' or 'boarding' houses) has long been under pressure for conversion to higher-end apartments or for tourist hostel accommodation (Smith 2003; Nenzo

1991). Similar issues affect coastal resort areas where lower-priced homes and caravan parks also experience increased pressure for tourism uses (Bunce 2010).

Strategies to preserve sources of low-cost rental accommodation must balance the need to sustain lower-priced housing opportunities with concern for the quality and safety of this stock. Further, the overarching economic or other benefits arising from reinvestment in a particular area usually outweigh the costs associated with mitigating impacts for lower-income groups. Approaches might focus on a particular housing type under pressure (e.g. 'rooming houses' or 'single-room occupancy accommodation'), or on the incremental processes of urban change and redevelopment that cumulatively reduce low-cost housing opportunities. Such levers might seek to offset demolition, change of use or redevelopment of identified low-cost housing (e.g. rooming houses, caravan parks, or low-cost rental flats meeting defined criteria), by imposing additional social impact criteria and requirements to ensure a proportion of affordable housing within the new development. Financial assistance for the rehousing of affected tenants might also be offered. In Australia, planning policy introduced by the state of NSW in the late 1980s continues to impose additional levies on the conversion of boarding houses and certain forms of low-cost rental accommodation (Gurran 2011).

Incentives for New Affordable Housing

Depending on the legal constraints and opportunities enabled by specific planning systems, it may be possible to incentivise new affordable housing development. The underlying objective behind incentives is to reduce the costs associated with housing development, or increase potential profit, with a proportion of these savings or profits used to support an affordable outcome. When an incentive scheme secures dedicated contributions for affordable housing (on-site, or as an equivalent financial or in-kind payment), the value of the increased potential is calculated, and a proportion used for the affordable housing contribution.

Concessions on development standards can be used to reduce project costs or increase yield. Graduated planning concessions allow flexible

adherence to development standards based on performance criteria. For instance, car parking standards can adjust to the location or the characteristics of likely residents, so fewer car parks might be needed for student accommodation located near services and high-quality public transport. Similarly, internal space requirements might be adjusted for affordable housing projects designed for singles or couples, and be able to demonstrate strong design and access to open space and a quality public realm.

Bonus schemes relax specified development controls, typically height, density, setback or parking controls, in exchange for the construction of preferred low-cost housing forms or for dedicated affordable housing contributions. Affordable housing meeting defined criteria might also attract special treatment in the planning process, such as fast track approvals, or the reduction, exemption or refund of application fees, infrastructure charges or rates. Often a 'package' of these incentives will be available to support affordable housing development in an area.

The contribution might be made as a dedicated number of housing units, to be owned in perpetuity by a local housing programme, or to be available as low-cost rental housing for a specified period of time; as land for affordable housing development. The contribution might also be made as lower-cost homes for eligible households to purchase. Most jurisdictions prefer housing to be integrated on the site of a larger development to maximise locational benefits, but contributions are sometimes provided off-site or as an equivalent monetary payment.

Voluntary or Mandatory Measures?

There is some debate within the research literature over whether a voluntary (incentive-based) or mandatory requirement yields the highest overall housing outcome in terms of the number of housing units including the affordable housing component (Schuetz 2011). If the incentive mechanism encourages overall housing production, it is thought that the affordable outcome will also be greater than would occur via schemes which require a mandatory contribution (in effect, a 'tax') which might

even deter some housing development. However, any deterrent effects of mandatory contributions are diluted if the requirement occurs over a wide geographical area and is able to be factored into land pricing at the time of acquisition.

In some jurisdictions, a clear policy framework specifies when negotiated contributions will be sought. In England, this occurs as part of the process for seeking planning permission, within the context of a local development plan which includes targets for affordable housing inclusion. In other jurisdictions, the framework might apply when land is rezoned or when planning controls are varied at the request of the developer. Under these arrangements, although the contribution is negotiated, this occurs within a framework for mandatory, rather than voluntary compliance.

One important advantage of the negotiated approach, whether or not compliance is mandatory, is the flexibility to adjust requirements in response to changed market circumstances. This can be important to ensure that the affordable housing obligation does not exacerbate viability issues during market downturns. However, the negotiation process involves considerable time and demands that local planners hold a level of development expertise. The use of a feasibility tool to model the viability of different potential requirements and affordable housing contribution types offers a more equal and transparent basis for negotiations.

Mandatory Requirements

Mandatory requirements may apply to a *specific* site, area, or across a zone or an entire local authority area. They might also be limited to a specific type of development (residential, or commercial, or both). Thresholds often apply to the scale of development that is required to make the affordable housing contribution, with projects involving ten or more dwellings a common benchmark. However, thresholds can encourage perverse outcomes, such as the construction of projects comprising only nine dwellings in order to avoid the affordable requirement.

‘Inclusionary zoning’, is the most common form of mandatory requirement in the USA. In short, inclusionary zoning means that a proportion of all identified development above a specified threshold and within a specified zone must contribute to affordable housing, usu-

ally as a fixed amount of housing units provided on-site or as a cash contribution in lieu. Another approach is the imposition of 'impact fees' or equivalent, which link the affordable housing contribution to the impact of the development on housing needs within the local area. A connection or 'nexus' between the development and the affordable housing impact must be demonstrated to use this approach. In most cases, bonuses or concessions are available to offset the cost of the mandatory contribution.

Matching Approaches to Markets

The research on inclusionary housing approaches suggests, like planning mechanisms generally, particular strategies will work best under different market conditions. Understanding the different market characteristics and trends is important for identifying opportunities for affordable housing inclusion. Gurran et al. (2008) identified a loose categorisation of housing market characteristics as a basis for selecting inclusionary strategies:

- Market value—The value of housing and residential land affects the extent to which affordable housing is able to be provided and the degree of subsidy required for particular schemes. For instance, a moderate affordable home purchase scheme may be viable without subsidy in lower-value greenfield markets, whilst in higher-value locations, the uplift associated with planning approval might support a significant 'set aside' or contribution towards affordable rental or shared equity housing.
- Development activity/cycle (i.e. the extent to which development activity is taking place within an area, or indeed across the whole market). Significant rates of new housing development or redevelopment present an opportunity for affordable housing provision, but also a risk of gentrification in existing areas of the city. Without buoyant market activity, additional strategies including subsidy for affordable housing development may be needed to ensure ongoing rates of production. This variable may arise from local market conditions or reflect broader macro-economic trends. In weaker markets, there may actually be less need for additional affordable housing, which could compete with

market provision. On the other hand, the ability of community housing organisations to take some units may lower the risk to private developers in downturns.

- Development opportunity (i.e. the availability of housing development opportunities). If there are few opportunities for new housing development, but high demand, strategies which offer additional development combined with affordable housing are likely to be attractive. This can be seen on a small scale in the British experience with rural ‘exception sites’. By contrast, if available development capacity is not being taken up, there may be limited value in offering additional floor space or height bonuses. Similarly, if an analysis demonstrates significant barriers are preventing new development from taking place, a barrier removal strategy might be an effective way of leveraging new supply (Gurran et al. 2008).

As shown in Table 11.2, it is important to avoid broad-brushed strategies for affordable housing inclusion but rather to select mechanisms which best fit prevailing market conditions. In nations affected

Table 11.2 Matching planning mechanisms for affordable housing to market characteristics and opportunities

Approach	Market/opportunity
Land/housing supply strategies	If overall demand exceeds supply and planning system unresponsive Consider sub-markets
Barrier removal	Introduce in contexts where regulation (from development controls to procedural requirements) prevent diverse, lower-cost housing forms
Protective mechanisms	Gentrification, rapid urban development
Incentives	High land values, leverage increased profit
Mandatory mechanisms	1. High land value, high level of development activity 2. Low land value, but moderate/strong housing demand and development activity
1. Contributions for low-cost rental housing/shared equity home ownership	
2. Housing inclusion—low-cost home purchase/social housing acquisition	

Source: adapted from Gurran et al. (2008)

by affordable housing pressures but sluggish new production, it is common for planning measures to emphasise land and housing supply strategies. However, these measures will be ineffective and potentially counterproductive in lower-value and lower-demand markets. Similarly, planning-based incentives for affordable housing development usually depend on high land values, where density and related bonuses are lucrative. Alternatively, it may be tempting to seek to incentivise development in low-value areas by lowering development standards, but care must be taken to ensure that this does not result in substandard housing in locations where adequate supplies of affordable housing already exist.

Policy Settings, Resources and Delivery Systems to Support Inclusionary Housing Schemes

A number of studies have identified success factors supporting the long-term implementation of inclusionary housing programmes through the planning process (Calavita and Mallach 2010; Gurran et al. 2008; Mukhija 2010). An overarching policy framework setting out objectives or targets for affordable housing inclusion or retention is a critical starting point. This framework depends on a supportive legislative basis to enable planners and local authorities to address affordable housing as part of the land use allocation and development assessment process. Within the planning authority, dedicated and experienced staff are usually critical to successful design and implementation of inclusionary housing schemes. This might range from the development of inclusionary zoning requirements when land is being rezoned (or indicative targets for affordable housing when land is allocated for residential development), to the assessment of proposals affecting existing sources of low-cost housing. Under negotiated frameworks, the capacity to understand development feasibility and to accurately determine the value of planning 'gain' is critical, whilst under fixed schemes staff will still need to scrutinise proposed approaches for complying with the affordable housing component of a project.

Equally important is the existence of a 'delivery infrastructure' able to take up opportunities for affordable housing development or acquisition.

This might include a strong non-profit or for-profit affordable housing sector, with access to its own funding reserves or government grants or guarantees. Funding for well-structured affordable products, particularly in the intermediate sector, has the character of a revolving fund, whereby initial subsidy (from grant or land value) is recycled through future resales and surpluses. The delivery infrastructure may also depend on schemes being able to ensure that target households are able to obtain finance for home purchase products, such as a government loan or shared equity scheme. Government guarantee or insurance arrangements may help to ensure that mortgage and down payment terms are not too onerous.

Conclusion

Inclusionary approaches present an important opportunity to remedy regulatory and systemic barriers to low-cost housing production and can help offset the impact of planned renewal and gentrification processes for low-income renters. Inclusionary programmes offer potential to leverage more subsidised housing stock for low-income people, in better locations; and, in some cases, to recapture some of the windfall gains associated with planning decisions (Gurran 2008).

However, planning system approaches are generally unable to address the full range of housing needs. Rather they provide an important support for other government and non-government investments in affordable housing provision. Further, many of the approaches outlined here are thought to better enable market initiatives for lower-cost housing. In general, planning settings designed to leverage affordable housing inclusion should support rather than erode other goals associated with the planning system. For instance, whilst it is sometimes argued that lower environmental standards for the design of new homes would result in production savings, there is no guarantee these savings would be passed on to house buyers in the form of lower prices. Further, superior environmental designs reduce household energy and water costs, contributing to a wider notion of affordable housing. In other words, affordable housing delivered through planning schemes should be affordable across a range of budget measures—not expensive to run or to travel to or

from. Requirements for affordable housing should be stable and certain, and ideally be applied across a region. This reduces the temptation for developers to 'shop' for a jurisdiction where the affordable housing obligation does not apply.

Whilst inclusionary housing models were originally positioned as an alternative to social housing provision by governments, the contribution of the planning system relates to securing land for well-located affordable housing opportunities in areas of active development activity. As the housing policy arena in many nations continues to evolve in the aftermath of the GFC, the role of planning systems is increasingly debated. The question is whether planning can help the transition to new intermediate models of affordable housing provision during a period of fiscal constraint, or whether even these mechanisms will be further wound back.

12

Conclusion: Reuniting Planning and Housing Policy

Introduction

As we move forward through the twenty-first century our central contention is that planning and housing policies need to be brought together to meet the challenges presented by inequality, poverty, demographic and environmental change under wider processes of globalisation. These themes are drawn together in this final chapter which restates the imperative for government involvement in the housing market even though the problems which have to be addressed have changed from those which originally motivated state involvement. The concept of housing/social policy regimes introduced in Chap. 3 is revisited in this context. Differing welfare regimes are challenged by common forces of globalisation, financialisation and perceived fiscal limits on state activity, and we ask how far this is leading to convergence.

We then turn our attention to planning, and argue that, although planning in some form is a universal, unavoidable function of governments, the nature of planning regimes varies quite widely. Having characterised the key differences, we argue that these give rise to different characteristic problems in different systems. We reject simplistic dichotomies and

caricatures of 'planning versus the market', pointing out that planning can help markets to operate more effectively, in quite a few ways, for example by increasing certainty, arranging infrastructure and amenities, promoting sustainability and curbing speculative excess. At the same time, we acknowledge that planning can stifle and restrict housing supply and identify some of the underlying reasons for this in the operation of what is typically a decentralised system where local politics and incentives play important roles. Evidence from our case studies suggests that control over land, in terms of ownership and the power it confers to initiate development, is important, and also that not all housing supply is equally beneficial. The scale and structure of local government is important, including whether there is effective metropolitan-scale governance and planning, how financial mechanisms can help or hinder effective planning, and how economic growth motivations can be linked to housing.

In reviewing the contemporary challenges for housing and planning policy we see widening inequality reflected in problems of housing affordability and housing-induced poverty, reduced opportunities for younger generations to participate in the aspirational tenure of home ownership, growing wealth inequalities (including between generations) and the issues posed for welfare benefits and taxation of property. Demographic challenges arising from migration, ageing and household formation are highlighted. The dominant environmental challenges relate to climate change mitigation and adaptation, resilience and urban compaction. All of these come together in creating challenges for healthy, harmonious urban living for diverse and unequal societies.

We argue that it is not just effective planning practices for delivering an adequate total supply of housing which are required, but also more extensive use of inclusionary planning practices in new housing development. These hold much potential and promise for promoting affordability, wider choice and opportunity for people to move through the housing market at different life stages, and more social integration within urban communities. We highlight the barriers to more extensive use of these planning mechanisms, under differing planning regimes, but also the potential gains in a context of fiscal limitations on traditional housing subsidy mechanisms. It is clearly the case that effective planning mechanisms also need to be complemented by appropriate

institutional structures for the delivery and management of social and affordable intermediate housing. We note wide variation between countries in the scale and strength of these institutions, and also the threats and opportunities which arise from wider national and international forces.

Why Worry About Housing?

In Chap. 2, we pointed out that state involvement in housing usually arose first, in a context of early industrialisation and urbanisation, from concerns about adverse urban living conditions and their effects on public health, and then secondly from the need to promote housing supply in the face of shortages following wars or demographic surges. Over time, recognition grew that wide inequalities of income and wealth were incompatible with maintaining decent housing conditions without some forms of welfare or subsidy provision to assist poorer groups. If we ask what are the conditions now which motivate policy concern about housing, in the advanced industrialised countries, then the original concerns about slum conditions and public health are less dominant, although there are still some public health concerns relevant to contemporary planning. The need to promote supply is still an issue, more prominent in some countries (e.g. England) than in others (e.g. the USA, Spain or Ireland), as is the need to have some system of welfare and subsidy to reflect the gross inequalities of purchasing power across societies. However, other issues have come forward into more prominence in the contemporary era. For example, there are concerns about the operation of lightly regulated financial markets, including both access to finance and the instability of housing and financial markets interacting in a way which threatens macro-economic stability. The energy (in)efficiency of the housing stock and urban form are a key part of the environmental challenge of moving to a lower-carbon future. Widening disparities in market performance between regions are a growing problem, both for economies—in terms of labour mobility and supply for high-growth city-regions and in terms of misallocation of resources into real estate, and for the cost and sustainability of welfare systems.

However, it is one thing to identify strategic policy problems from an objective, semi-detached standpoint, and another to see these problems being articulated in a helpful way within the political process. Real world politics, whether local or national, responds to a range of influences, including public sentiment through democratic mechanisms, media portrayal of issues, lobby group influences and deeper power structures in society which tend to reflect the gross inequalities of wealth which themselves pose one of the most pervasive challenges. In some countries, of which Britain is perhaps a clear example, housing issues have been less salient in political competition than other issues, such as health, the economy and welfare, although there are some signs of this changing. In such cases, the housing producer lobby has been less influential than in cases such as Ireland, Spain and Australia, where housebuilding has been seen as a key sector of the economy. Where issues of 'affordability' have gained traction, the emphasis in popular and media treatment tends to be upon middle-income groups' ability to access home ownership, rather than on the groups with objectively the most acute problems, who are typically poorer private renters. As highlighted in the case study chapters, responses to this often result in reinforcement or extension of demand-side subsidies which, without appropriate supply-side reform, may further push up prices and exacerbate the problem. In what are predominantly owner-occupier societies, popular perception and media treatment tend to portray high and rising house prices in a positive light, reflecting the perceptions of the comfortable, well-housed majority of older homeowners, who in this case are the privileged 'insiders', and who are generally much more likely to vote in elections. 'Insider'–'outsider' conflicts are pervasive in housing, whether considering tax and subsidy arrangements, new building alongside existing communities, or rental systems which embed subsidy or regulatory protection for some insiders at the expense of wider groups of outsiders.

The time horizons of policy and politics also present problems for attempts to apply 'rational' solutions to housing problems. Political time horizons are often short, focussed on the next election or even on next week's media headlines, whereas key policy reforms and strategies take much longer to work through. Using planning in positive ways to promote supply where it is needed and to change planning mechanisms to enable more inclusionary patterns of development all take time to

implement and even longer to show their full benefits. A political logic may lead to policies which are purely 'symbolic', with no discernible impact in the real world, or policies which appear to offer a 'quick fix' at the expense of the longer term effectiveness of the system. Examples of the former are seen in Australia's long preoccupation with planning reform as a response to housing affordability pressures, whilst the latter kind can be seen in England's recent attempts to respond to its own crisis in new housing supply.

Housing and Welfare Regimes

In Chap. 3, we provided an introductory review of an important literature in the comparative study of policy frameworks governing social welfare issues in general and housing specifically. Distinct types of welfare and housing regime were identified and characterised, and shown to have emerged from the predominant governance structures in the economic sphere during the post-war period of reconstruction and development. Although these regimes are subject to common global forces, it was argued that these forces for convergence were tempered by a considerable degree of path-dependence. We go on further to argue that this phenomenon is particularly important also in the sphere of planning.

Over the last 20 years or so, these regimes have been subject to strong common forces associated with economic and financial globalisation. These forces have tended to place upper limits and downward pressures on taxation and hence on the ability of states to finance continually expanding welfare entitlements, despite growing demand associated with ageing populations. Institutional reforms towards more market-based systems have been reinforced by both world-scale and regional trade agreements and by the EU 'single market', which, for example, act increasingly to regulate 'state aid' and regional policies. In this context, governments in most countries have felt obliged to act to enable their economies to maintain competitiveness through more 'flexible' labour markets. Partly for this reason and partly because of economic restructuring entailing the decline of traditional manufacturing industries in the advanced western countries and the growth of service-based economies, the role and pervasiveness of trade unions have been reduced,

with significant implications for welfare regimes of a more corporatist or social democratic character. Some would argue that this leads inevitably towards a convergence on the 'Liberal' type of welfare regime and associated features in the housing arena, namely a decline in social/public housing and growth of a more dualistic rental system with a substantial revival in less regulated private renting.

More recently, these tendencies have been overlaid by the experience and aftermath of the GFC. The GFC may be regarded as a major existential crisis for contemporary capitalism, and particularly its leading sector of finance, and could have been expected to lead to some reversal of the above tendencies and some rowing back from the strong emphasis on deregulation. To some extent, this is the case, as one can see in many countries a reinstatement and reinforcement of financial market regulation, as well as a range of direct state interventions to counter the recessionary impact of the crisis. On a global scale, the response of key economies (not least the USA and China) did represent a form of Keynesianism in action. However, the picture is more complex and, in the longer term, this episode may turn out to be more of a pause than a reversal. Firstly, some countries (Australia, Canada) were less implicated in lax financial regulation and more able to weather the economic storm thanks to strong demand for their extractive products. Secondly, in many countries, particularly in Europe, the financial/banking crisis quickly morphed into a public sector financial crisis, and in some cases a sovereign debt crisis. The extent to which this was inevitable, rather than a deliberately chosen political strategy, may be debated, and in the Eurozone, in particular, it may be argued that the path chosen was one which put severe pressures on the weaker members. But the outcome was that in many countries, the dominant discourse has been one of public sector fiscal crisis and the need for austerity measures to bring public debt under control. This has reinforced tendencies towards more privatisation and reduced welfare entitlements.

Some contributors to the welfare regimes and housing debate emphasise the significant role of owner occupation in modifying the story, most obviously for the high home ownership societies, and suggest that key issues for the future would revolve around the use of housing wealth to support both general living standards and welfare provision for the ageing population. However, one striking consequence of developments

over this period has been the very widespread decline of home ownership rates, particularly amongst younger people, and the associated rise of private renting, typically mainly involving small-scale individual investors rather than corporate or institutional landlords. This crisis of home ownership is now feeding into the discourse on housing policy and provoking a further wave of policy initiatives and reorientations as governments seek to respond.

Planning Regimes

How far does this notion of ‘regimes’ carry over into the planning sphere? It is certainly clear from the selection of national examples presented in this book that planning systems and their policy framing vary widely between countries. We can readily see that path-dependence is a strong feature of planning, not least because planning is inherently longer term in its focus and embedded in relatively durable legal structures about governance and land. Whilst there are many detailed ways in which national planning systems may differ, at the same time there are some broad distinctions, or dimensions of difference, which help to define different styles of planning and also help to explain or predict how different systems are likely to perform. In the context of this book, we are most interested in the nature and effectiveness of the system’s response to the overall housing supply problem—enabling the building of enough housing, without encouraging speculative excess, and enabling the provision of affordable housing in sustainable, balanced communities.

We would argue that the key differences between planning systems from this point of view fall into three main categories:

- whether permission to develop on land allocated or zoned for housing is given as of right or as a matter of discretion, on the merits of the case in terms of multiple criteria (‘zoning versus discretion’)
- whether land used for development is predominantly in public or private ownership at the stage of initiation
- whether the governance of planning is predominantly localised or centralised (including strong metropolitan regional planning).

It should also be emphasised that system outcomes will be influenced as well by the basic physical geography of a country or region—the more total land area and the less physical constraints on urban development, the easier it is to increase general housing supply. Thus, one might expect that the USA, Australia or France would find it easier to build a lot of housing than countries such as England, the Netherlands or Hong Kong, which have much less land area relative to population.

Planning Regimes and Supply

Which types of planning system are likely to be better at generating an adequate overall supply of housing? Considering first Dimension A, we would expect zoning type systems to generate more supply, particularly in more affluent, ‘comfortable’ places, whereas discretionary systems would create uncertainty for developers and investors and could give a lot of levers for ‘NIMBYs’ to pull. However, in economically weaker areas zoning would not guarantee that anything got built, whilst discretion might be used to encourage development, perhaps at the expense of ‘good planning’ in terms of sustainability criteria (as in extreme examples of over-development in unsuitable locations in Ireland and Spain).

On Dimension B, we would argue that greater public ownership and control of development land would be more conducive to higher housing supply, so long as the public authorities want to promote housing. Where land is in private ownership, whilst in theory there is a profit motive to bring land forward for development, in practice many long-term landowners do not have a particular incentive to bring it forward *now*, rather than at some future date. In addition, multiple ownerships create problems of land assembly and reconciling conflicting aims, whilst single ownerships create problems of monopoly. China and Hong Kong present strong examples of publicly led land development, as did Britain historically (in the period 1950–75, when much more housing was built and when local authorities and development corporations often took the lead). There are also good examples in Europe amongst countries not considered in detail in this volume (Germany, the Netherlands).

On Dimension C, we would argue that in general more localist systems are more conducive to high supply where either the fiscal incentives are very strong (as in mainland China, or Germany and Switzerland) or in some cases where local economies are weak (Ireland, again). Otherwise, where local fiscal incentives are weaker and where local voters are more comfortable, localist planning will not be conducive to high supply.

Thus, Hong Kong has the capacity to deliver high supply because it has public control, a structured planning/zoning system and a broadly centralist system. Mainland China delivers high supply because it has allowed a degree of localism accompanied by strong fiscal incentives. At the other end of the spectrum, we have England, where a discretionary planning system is combined with mainly private land ownership and localism—a recipe for the lowest level of new housing supply in Europe, despite the fastest growing population. Australia certainly has been characterised as underperforming on supply relative to its demographic and economic growth—yet, in fact, its predominantly zoning system and central oversight to overcome local impediments enable supply to respond to market trends (although these trends themselves may deliver volatile output). However, whilst planning and zoning in Australia governs the supply of housing land (and indeed permissions for housing development), housing provision is heavily dependent on the end user—individual home owners rather than speculative developers or a public/non-profit entity. Thus, new housing development depends on affordability (for intending owner-occupiers) or potential profitability (for property investors), resulting in the growing mismatch between demographic and social need for new homes serving the full income spectrum.

You can have too much of a good thing, and that applies to housebuilding in some cases—notably large areas of Spain and Ireland before 2008. On paper, their planning regimes looked similar to Australia—zoning, private ownership and localism—but the context included more localities hungry for economic development, much weaker governance and probity *within* the planning system. This speculative housebuilding industry was combined with very lax financial regulation in the run-up to the GFC.

Planning Regimes, Affordability and Sustainability

What about the abilities of these differing regimes to deliver a significant level of affordable housing through inclusionary mechanisms that promote socially and environmentally sustainable communities? Our prior expectation would be that more discretionary systems allow greater scope for using planning powers to require developments to include specified amounts and types of affordable housing. Zoning systems give landowners a right to develop within the zoning parameters for lot size, plot ratio, building line, etc. Why would a landowner want to give some of this up to subsidise some affordable units? The only way would be through some trade-off with requirements introduced when zones are first legislated or amended to enable a higher quantity of housing. This intensification of housing development may, in turn, stimulate local opposition whilst the affordability requirement is equally likely to be resisted in the first instance at least, by developers. We would also have a prior expectation that regimes with greater public ownership of development land would be more conducive to the delivery of affordable housing, insofar as the state/public sector has responsibilities towards lower-income groups and others with particular needs, and may have an established organisation and mission to deliver social/affordable housing. However, this need not apply in all cases—the public bodies holding the land may be more interested in maximising returns, for fiscal reasons in general or to enable the pursuit of their particular mission (e.g. building infrastructure).

On the third dimension, and somewhat more tentatively, we would suggest that more localist systems would be less good at promoting affordable housing through inclusionary mechanisms, because comfortable local voters would resist housing for the poor in their areas (particularly, as noted earlier, if automatically linked to intensification of existing suburban areas). More central or regionally based planning policies and standards could be expected to be a more reliable way of delivering such housing. However, experience in some case study countries suggests a more nuanced pattern. For example, national level government policy, based on particular ideology about the role and limits of planning, or under the influence of industry lobbying, may be less enthusiastic about

inclusionary housing than some local authorities (as has been the case in Australia). Similarly, experience in England showed that affordable housing policies originated at local level and were taken up keenly by a large number and range of local authorities. This partly reflected the legacy of local authorities as bodies with strong responsibilities for meeting housing needs, but also factors like the ability to target housing on 'local needs' (people with a local connection), 'key workers' to support public services or economic development (e.g. in rural areas) and 'low-cost home ownership (LCHO)' to help young people get onto the home ownership ladder. The US experience also highlights the importance of local or regional initiatives in delivering an inclusionary housing agenda in cities such as New York and San Francisco.

So our first take on this suggests that discretionary regimes with mainly public land ownership and more centralised governance would be best for affordable housing provision, whilst zoning regimes with mainly private land and localised governance would be the least fertile territory. Some of the country case studies bear this out, for example, Hong Kong at one extreme and Australia towards the other. Ireland would be expected to be similar but did, in fact, legislate for a general affordable housing mechanism ('Part V'), only to see this undermined by implementation weaknesses and then being overwhelmed by a particularly severe financial crisis. Spain legislated for quite strong policies but was similarly impacted by the crisis. In the USA, a generally adverse type of regime has still seen significant initiatives at regional (state or city-region) level and/or at local level, but generally these have worked better where state government takes a stronger role.

The Role of Local Government

A theme running through these case studies is that the role of local government is generally rather important, both for overall housing supply and for affordable/inclusionary housing. Local government is generally at the front line in the implementation of land use planning, and it generally plays a significant role in the provision of infrastructure to support new housing. Planning is about the mediation of conflicting interpretations

of 'the public interest' as well as potentially conflicting private interests. Forward planning entails projecting or forecasting future needs and demands and assessing options for meeting those, as discussed in Chap. 10. However, the ability of local government to perform these roles will be conditioned by its scale, scope and resources. In some of the country case studies (such as in Australia and the USA), local government units can be too small in scale, too local in a sense and too limited in terms of their scope in terms of responsibility for the social problems associated with housing—hence the need for more positive governance at regional or city-regional scale. In many countries, fiscal autonomy is bearing particularly hard on local government, leaving it with inadequate resources to undertake effective planning.

The fiscal system supporting local government seems to be important in terms of the incentives it provides to encourage housing development. If local government has access to only limited taxable resources, it may perceive new housing (often for 'outsiders') as a burden in terms of the services expected. If development and land ownership are predominantly private, then it will be difficult to capture enough of the increment in land value to fund the infrastructure and social costs of developing new communities. This tends to support our argument that a stronger role for local and regional government in the land development process is more conducive to effectively planned development. The Hong Kong model exemplifies a system whereby comprehensive land value capture can fund both good quality infrastructure and affordable public housing. In mainland China, local government sees land development profits as a principal source of local revenues, and is strongly motivated to support development, sometimes beyond the level of justified need and demand (as with 'ghost cities').

If we ask what it is that motivates governments, whether at the local, regional or national level, then most often the answer we come up with is 'economic development'. Raising the economic growth of a locality or a region offers the prospect of satisfying more aspirations of voters, for more or better jobs, incomes and prospects. At the same time, it will be the principal aim of key local economic interest groups, representing important local industries as well as sectors such as real estate, to promote growth. Very often, the networks of local or regional governance will be some form of 'growth coalition'. It follows from this that a key

motivator for actions through planning to promote housing development or upgrading will be the belief that this can contribute to economic growth. In areas which are economically weak, these arguments will generally prevail, as is confirmed, for example, by evidence from the UK that attitudes to new housing development are more positive in inner cities, declining industrial areas and deep rural areas (Matthews et al. 2015). In more affluent areas, this kind of motivation is still present, but it has to compete with the protectionist wishes of the comfortable existing residents. This can lead to lopsided planning, where business development generally gets a green light whilst housing continues to be stuck on red, leading in turn to further regional imbalances with ever-higher house prices and affordability problems in the economically more prosperous areas. The South of England is a very clear example of this syndrome.

We argue that a way forward here must entail recoupling the planning of housing to planning for the economy and associated infrastructure. The strength and drive of the growth coalition need to lend some weight to the case for housing in general and affordable housing in particular. Inclusionary housing can play a role here, by delivering affordable housing for key workers, young locals entering or becoming established in the labour market, and other diverse groups. The promise of better transport infrastructure, education and health facilities, and accessible green space and recreation, can help to persuade reluctant residents of the benefits of growth options which they can share. Some current UK thinking about promoting city-region growth zones away from London, including offering incentives through retention of the business property tax base, reflects this vision. But it also involves a move away from narrow localism towards more of a collaborative city-region focus (the case study of Bristol in Chap. 10 provides an example).

Responding to Key Challenges

Throughout this book, we have highlighted what we regard to be the central challenges for housing in the twenty-first century as rising inequality, demographic pressures, environmental sustainability and urban living. At this point, we try to draw together some conclusions on the ways in

which planning in general, and planning for affordable and diverse housing in particular, can help to meet these challenges.

Rising Inequality

Planning for housing cannot do much to counter trends of widening income inequality, although it may play its part in ameliorating some of the consequences in terms of housing affordability. Neither can planning address directly the incomes of the growing retirement-age population. However, as the housing regimes literature reminds us, the share of owner occupation in future cohorts of retired households will have a major bearing on their standards of living and resilience to the exigencies of ageing. Planning and housing have a much greater role to play in the future distribution of wealth because of the large and potentially growing share of housing equity in total personal wealth. Decades of growth in owner occupation have seen significant recent reverses in many countries, with entry to ownership delayed or disappointed for many younger households. Consequently there is a growing reliance upon private market renting, a tenure which offers little opportunity for saving and asset-building and often significant problems of insecurity and poor quality.

Planning can offer a two-pronged strategy to address this challenge. Firstly, it can seek to address the barriers to increasing overall supply substantially, particularly in regions of high economic growth and labour demand. Strategies involved include more effective analysis of future need and demand (Chap. 10), metropolitan-scale collaborative planning, bolder planning of new settlements and urban extensions, longer planning horizons, more effective mechanisms for planning and financing urban infrastructure, rethinking the form and shape of urban growth boundaries and green belts and new (or reinvented) publicly led vehicles for large-scale land development which solve the twin problems of land value recapture and the cautious, uncompetitive behaviour of established speculative housebuilding companies. (Some of these ideas were developed in Chap. 11.) Increasing overall housing supply in well-located areas and in environmentally sustainable development typologies, is a long-term strategy whose beneficial effects would be felt, in terms of prices

and affordability, over quite a long time horizon. This requires cross-party political support to be sustained, but will be aided where planning for housing can be coupled to the economic growth coalitions in key regions.

The second prong of the strategy involves inclusionary and 'affordable' housing (Chap. 11). Our case studies show that there is a widespread will to try such policies but very variable scale of achievement. The best examples, such as England, show that inclusionary approaches can be mainstreamed and deliver affordable housing on a large scale, and gain acceptance as the normal, natural way of doing housing development. However, this possibility is much affected by the nature of the planning regime and the degree of support afforded to the policy by higher level (national/state/provincial) government and indeed by the legal system and the courts. In the long run, countries with planning regimes dominated by zoning, and private control of most land, will generally need legislation to give greater legitimacy to these inclusionary policies and practices, and so change the expectations of landowners and the development industry. Inclusionary practices vary and continue to evolve, in part in reflection of national housing regimes, with some emphasising affordable home ownership whilst others place more emphasis on social rented housing. We would argue that a mixed strategy is probably socially optimal, but that including a significant element of LCHO is likely to do more to address the crisis of home ownership, counter the skewing of wealth distribution and also tap into stronger currents of political popularity. However, the design of schemes is important, to avoid waste of subsidy in pushing up demand without linkage to supply (so pushing up prices); to ensure targeting on groups genuinely unable to buy in the market; and to enable subsidy to be recycled to support future marginal buyers rather than collected as a free capital gain by the lucky few.

Demographic Demand

There are three key issues to be addressed under the demography heading: migration, ageing and household formation. As outlined in Chap. 3, migration is perhaps the most pressing as well as the most politically fraught issue. Large-scale international in-migration is often politically

unpopular and puts pressure on the housing market as well as increasing competition in the labour market, yet it is difficult for governments to control the flows given international crises and conflicts, cheap and easy air travel, long and porous borders and international agreements. For many countries, also, migration is the logical answer to the economic and social problems of ageing—it brings in more people of working and childbearing ages, who will staff the services used by the aged (e.g. health and social care) and pay taxes to support the burden of pensions.

Planning needs to take a realistic view of migration, in its housing need and demand assessments, even though local political sentiment may be reluctant to adopt a positive stance towards planning for growth when that growth is so clearly linked to migration. Social welfare and housing systems tend to place restrictions on immediate or early access to these benefits by new migrants, so the pressure in the housing market tends to be felt within the private rented sector, and derived demand from buy-to-let landlords buying properties for this. Inclusionary housing policies in planning face a delicate balancing act here: policies may prioritise affordable housing for local need—people with an established local connection or from a waiting list—yet this may conflict with equal opportunity legislation. The former situation is one more likely to command local political support, as has been seen in the context of the UK, particularly in rural areas. The 2015 European-wide refugee crisis revealed interesting differences in response, both between countries (e.g. Germany and Sweden, versus Britain) and between local communities, belying the simple equation of ‘comfortable’ with exclusionary.

Ageing of our populations should not be portrayed simply as a problem, as it is also both a mark of progress—healthier people leading active independent lives for much longer—and an opportunity, as, for example, through the contribution of millions of volunteers to civic society, charities, environmental work and caring roles. In housing, however, we face a conundrum. Most older households now are outright owner-occupiers occupying valuable properties which are larger than they need, but which they are attached to by sentiment and community ties. Relatively few are poor and most are at least comfortably off in material terms. The ideology and promise of home ownership are that this house is yours for as long as you want to live there, and indeed the main thrust of policies on ageing

has been about 'ageing in place'. Yet as the imbalance in wealth accumulation between young and old becomes more and more glaring, as does the imbalance in housing opportunity, space consumption and autonomy, and as tenants in a similar position are bombarded with welfare curbs like the UK's 'Bedroom Tax', the unchallenged position of older owners becomes more untenable. The appropriate approach to this in terms of push factors is probably through the stronger use of progressive value-based property taxation, but this needs to be complemented by encouraging greater provision of suitable types and tenures of accommodation for 'downsizing', retirement living and living with access to care when needed. Planning can facilitate this, in part through policies to encourage mixing of size and type of dwelling (countering uniform zoning), in part through encouraging housing-with-care complexes, in part through 'affordable' downsizing options for social and private renters. More controversial perhaps are how large separate retirement living complexes, typically 'gated communities', should be regarded.

Household formation is a further aspect of the demographic challenge, although perhaps the nature of the challenge is changing in the light of recent experience, when rates of household formation by younger age groups have faltered. Whether this is wholly a product of affordability crisis and recession, or also some reflection of socio-cultural shifts (e.g. associated with greater participation in higher education, delayed marriage and family formation), remains to be seen. Society may adapt to adult children living longer in the parental home, even though from a northern European perspective this seems like a backward movement (becoming more like Mediterranean Europe). Working class young people may adapt to flat sharing with relative strangers, as students do, or going into lodgings, in the face of welfare reforms which reduce or eliminate their entitlement to support with housing costs for self-contained accommodation. However, a corollary of these adaptive responses is that they are second best and reversible. Evidence from economic modelling of housing change suggests that improved housing supply and affordability would lead to a significant increase in household formation, meaning that you actually need to build more than you think (based on a simple demographic projection) to eliminate shortage (Bramley and Watkins 2016).

Environmental Sustainability and Urban Life

It is clear that to achieve climate change commitments confirmed at the 2015 Paris Conference, countries like those featuring in our case study chapters need to drastically reduce the carbon footprint of their cities and housing stock. New housing comprises only a small proportion of the total stock, so retrofitting efforts—to improve energy efficiency, reduce car dependency and so on—will become critical but imply strategic and costly investments in private and public infrastructure, as well as behavioural change. The role of planning in requiring more environmentally sustainable and climate resilient cities and neighbourhoods is central to the agenda, but the ideal form of urban life and home remains contentious. Similarly, the imposition of new environmental standards and constraints invites pushback on the grounds that sustainable technology is more costly, and urban containment makes land and housing more expensive. We hope that the arguments and evidence contained in this book put paid to such simplistic notions and also point to more holistic assessments of housing costs and affordability. For instance, these should consider both individual transport and energy costs for households and the wider societal and environmental costs of substandard and redundant housing.

Urban planning is ultimately about creating places that offer an excellent quality of urban life. Historically, we are inspired by examples like Edinburgh's New Towns or England's Garden Cities and suburbs, whilst contemporary movements such as New Urbanism in the USA or 'urban villages' in the UK seek to create attractive images and examples for modern urban living. The challenges for planning to move towards such ideals are substantial. How do you roll out carefully crafted niche developments on a much bigger scale? How do you manage urban public space economically when there is no common landlord or responsible body? How do you create and maintain harmonious mixed communities, in social, ethnic and demographic terms, in the face of some public resistance to certain types of mixing, natural market selection processes and the strong tendency of the real estate development industry to create bland, gated products for particular strata of consumers?

The Limits of Inclusionary Housing Policy

Throughout this book, we have explored the ways in which urban planning can help to generate, not just a more generous overall supply of housing, but also more mix and balance in terms of the types, tenures and affordability of housing within new developments. Whilst seeking to explore possibilities in a positive light, we are also conscious of limitations on such policies. In practice, the most important limitations tend to reflect political will, or lack of it. The UK experience is that, once the higher level of government accepts and promotes the policy approach, and this chimes in with local government engagement as well, it can over time become mainstream and can deliver large amounts of affordable housing. The US experience is also that the approach needs support from state level government and legal institutions, and even then will be limited by the base level context of a zoning based planning system and private land ownership rights and expectations.

The second set of limits relates to economic and financial viability. As explained in Chap. 11, inclusionary housing requirements are a form of development obligation linked to planning, similar in a way to infrastructure ‘impact fees’. Requirements need to be factored into developers’ financial viability models, and ultimately into the ‘residual land value’ which determines what developers can bid for land. The UK experience is that in the pre-crisis period, affordable housing quotas of 20–35 % of all housing units could be negotiated in most parts of the country, with a mixture of social rented and LCHO or other intermediate housing. However, typically the social rented housing would require some injection of public subsidy, whereas the LCHO elements could probably be viable with just the ‘free land’ subsidy conveyed via the planning agreement. Post-crisis, these favourable assumptions have unwound to a considerable extent. As the crisis deepened and extended, viability became more problematic, particularly for very large schemes, complex brownfield schemes and most schemes in the economically depressed northern half of the England. In response to these conditions, the English Government has at the time of writing weakened the s.106 policy significantly, prioritising overall supply and enabling obligations to be met through discount

‘starter homes’ mechanisms (even where these are demonstrably not affordable), whilst reducing and potentially eliminating government subsidies for social renting. General lessons from this experience are that inclusionary housing is vulnerable to market cycles and fluctuations, but also that political commitment is critical. In contrast to the English case, at the time of writing New York City had just enacted mandatory inclusionary zoning laws, demonstrating a deepening political commitment towards fairer housing development.

The Institutional Framework

Affordable housing requires access to subsidy and land, which planning-related mechanisms can help to deliver, but it also requires an infrastructure of appropriate institutions to produce, allocate and manage the dwelling stock. The UK, which has a strong track record, has two sets of institutions which are both well-established: local authorities (about half of which continue to act as social landlords) and housing associations (often now referred to as Registered Providers). The latter sector has gradually built up since 1974 with general government support and subsidy under different political parties. In Chap. 6, we described the build-up of institutional capacity in parts of the USA in the form of a significant for-profit and non-profit affordable housing sector, including the very important Community Development Corporations which continue to play an important role at the neighbourhood level. However, in other countries such as Australia, the institutional capacity to deliver affordable housing has historically been limited, despite periodic attempts to build a ‘third sector’ arm through community housing organisations (Milligan et al. 2009) and evidence of rapid expansion in recent years (Gilmour and Milligan 2012).

Even in the countries with well-established social/affordable housing sectors, it is quite apparent that these face various threats and cannot necessarily be assumed to be capable of operating in the same fashion in the future as in the past. Recent experience in the Netherlands shows a degree of vulnerability to intervention by the European courts to effectively circumscribe the ability of these institutions to simultaneously play

both roles of social housing agency and competitive market development agency. In Sweden, former public housing companies have opted to go down a private market renting route, as has been the case for the bulk of former social housing in Germany. In the UK, housing associations appear to have fallen out of favour with government and have been hit by a blizzard of policy changes, including introduction of ‘right to buy’ for their tenants, and the forced reduction of rents, to help the government save money on housing benefit costs. At the time of writing, the position of housing associations in the UK, previously seen as a model for other countries to follow, remains chaotic, confused and uncertain. It is likely that housing associations in the UK will need to engage more in the provision of intermediate forms of housing tenure, particularly LCHO (entailing schemes such as shared ownership or shared equity) and also ‘mid-market’ rent. The larger associations in the UK have also diversified into areas such as managing private rental properties, student housing and care homes/extra care housing. Yet as they expand in these directions, associations may expect to see a decline in their core business, as governments seem to fall out of love with ‘social housing’, moving countries like England (if not Scotland) close towards the highly residualised US and Australian models.

Recasting Planning and Housing in the Twenty-First Century?

Whilst the housing challenges outlined throughout this book—inequality and poverty, demographic change and environmental risk—have deepened in the early decades of the new millennium, confidence in the power of public intervention through urban planning appears weaker than ever before. From the USA to Ireland, Australia and now the UK, it seems that the spirit and purpose of planning as a means for improving urban life has been reduced to a set of regulatory barriers that must be cleared to liberate the housing market. Yet countries such as Ireland and Spain, still recovering from the devastating social, environmental and economic effects of almost unrestrained housing development in the early 2000s, stand as a cautionary tale. New supply is critical for any

housing market—but we argue that the quantity, configuration, location and price of new supply must respond to underlying local and regional demographic need for appropriate housing above and beyond capricious (often global) economic demand for housing as a residential asset or commodity. We hope that the research and examples presented in this book provide a basis for identifying and dismantling deliberate and inadvertent exclusionary planning practices, wherever they are found to exist. Strong regional, state or central government level oversight, with the capacity to negate local level barriers to diverse and affordable housing types appears to be critical.

Central level oversight also seems important for driving greater diversity in the forms of new residential development. However, there is a growing tension between the economic value of new housing production and investment overall and the financial viability of particular dwelling typologies and products. This is evident in the apparent mismatch in the inner and middle rings of global cities such as London or Sydney between, for instance, what is perceived to be the most economically profitable housing form in the short or longer term (often a multi-storey tower) and the demographic and socially defined local and regional housing needs and preferences which are often for larger, family-style accommodation with access to private open space. In contexts where lower-density housing forms have predominated for much of the twentieth century, the same type of dilemma also presents a barrier to achieving more diverse forms of attached and medium density accommodation in outer metropolitan and regional settings. Developing cost-effective and financially viable forms of densification for existing and new residential and mixed uses neighbourhoods will become an increasingly significant challenge for American and Australian cities in the future, over and above potential planning system constraints.

Countries such as Australia and the USA were always characterised by dreams of home ownership, and city building by property speculation. However, within a century, the meaning of home and the qualities of place have been almost perfectly monetised, such that the global elite can have houses in San Francisco, Sydney or Shanghai, whilst rates of overcrowding and squalor slowly climb once again. The sudden market disruption presented by internet-enabled ‘sharing’ platforms such as ‘Airbnb’ exacerbate the dichotomy—whereby the business tourist can feel

at ‘home’ in an apartment or townhouse in central London—whilst a teacher or train driver finds a flat to share on the outer periphery. In our view, the best foil for the seemingly inexorable financialisation of housing is the existence and growth of new institutions dedicated to the provision of homes for resident communities rather than for financial profit—these include traditional housing associations, housing co-operatives, community development corporations and community land trusts. But these institutions take time to evolve and depend on secure and consistent policy, fiscal and regulatory settings. As demonstrated in several of our case study countries, urban planning can also play an important supporting role in developing this third sector of the housing system.

But it is not simply enough to reduce regulatory barriers to affordable housing, whilst remaining blind to the processes by which spatial disadvantage manifest in particular places and the extent to which planning systems might offset or exacerbate inequalities of property-based wealth. In our analysis, the real measures of a planning system are not found in clichéd metrics of decision speed or certainty. Rather, performance is reflected in the extent to which public planning processes enhance the urban living environment for the majority rather than the few. This means that the value created by ‘good’ planning—provision for attractive shared spaces, diverse housing types and a high-quality natural environment; as well as public investment (such as accessible public and active transport networks) cannot solely be capitalised into land values for the benefit of existing property owners, but should also leverage wider social inclusion. England’s long-standing targets for affordable housing inclusion provide one example, if imperfect, of this ideal. The integrated process of government land ownership and supply, infrastructure provision and public housing development in Hong Kong, provides another. Approaches to embed affordable housing as part of the development process in Massachusetts and to institute mandatory inclusionary zoning in the high-value city of New York are also emblematic of what planning for housing should be. This then remains the true challenge for planning in the twenty-first century: to address and offset deepening inequality and poverty through spatial interventions which improve the conditions of urban life by fostering and securing decent homes for a diverse and changing population.

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