

7

# Policy Platform Background Paper

The Role of the Planning System  
to Deliver Social and Affordable Housing

## National Shelter Policy Platform Background Paper

### The Role of the Planning System to Deliver Social and Affordable Housing

The land use planning system can be an important mechanism for the delivery of housing supply, housing diversity, housing affordability, and more specifically, affordable housing.

The primary focus of the planning system is generally on State/Territory and Local governments. Broadly, State and Territory governments have primary responsibility for establishing the strategic direction and policy framework for land use, supply and urban planning and development policy. State and Territory governments also have responsibility for housing-related State taxes and charges, and State-based infrastructure policy and services associated with residential development. Local government is responsible for the development and adoption of local planning schemes and development control decisions, that respond to the strategic direction set out by the relevant State/Territory, as well as the needs of the community.

While it may appear that the role of the Commonwealth Government is limited in relation to planning and influencing housing outcomes, particularly social and affordable housing, the Commonwealth Government plays a significant role in setting both the policy and fiscal agendas, and tying deliverables/outcomes to funding.

Commonwealth Government policy touches on many areas that influence planning outcomes, and the development of cities and regions, including infrastructure investment and priorities, transport, as well as taxation and immigration policies.<sup>1</sup> Additionally, many of these areas rely on Commonwealth Government funding and support. These all influence the shape and performance of cities, urban and regional areas, and housing markets. This has implications on other tiers of government, and the leveraging of outcomes.

There is historic precedence for the Commonwealth Government to be involved and drive/frame urban planning outcomes, particularly as it relates to the provision of affordable and social housing. The Building Better Cities program of the early 1990's framed an agenda, policy and funding priorities by offering State governments untied Commonwealth funding on the basis that the recipient government would commit to achieving a range of economic, social and environmental 'outcomes' defined in an Area Strategy.<sup>2</sup>

The current Commonwealth Government 'Smart Cities Plan' provides a framework to deliver city policy priorities, including housing, migration reform, infrastructure and value capture.<sup>3</sup>

The Smart Cities Plan recognises the importance of placing affordable housing and housing supply generally, near job opportunities and transport connections. It also recognises that coordinating the policy, planning and regulatory levers can better support the supply of affordable and diverse housing. The Smart Cities Plan also includes City Deals, and considers City Deals as the primary deliverer of the Smart Cities Plan (see section on City Deals below).

Additionally, the National Housing and Homelessness Agreement (NHHA) also identifies housing priority policy areas which direct/encourage States and Territories through their bilateral agreements to incorporate planning mechanisms into their State housing strategies.<sup>4</sup> The NHHA specifically identifies planning and zoning reform and initiatives as national housing priority policy areas, including consideration of inclusionary zoning and land release strategies. Further opportunities exist to utilise bi-lateral agreements to mandate State and Territory urban planning frameworks to require and enable social and affordable housing outcomes.

---

1 [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/ITC/DevelopmentofCities/Report/section?id=committees%2freportrep%2f024151%2f25697](https://www.aph.gov.au/Parliamentary_Business/Committees/House/ITC/DevelopmentofCities/Report/section?id=committees%2freportrep%2f024151%2f25697)

2 <https://press-files.anu.edu.au/downloads/press/p118181/mobile/ch08.html>

3 <https://www.infrastructure.gov.au/cities/smart-cities/plan/index.aspx>

4 [https://www.federalfinancialrelations.gov.au/content/npa/other/other/NHHA\\_Final.pdf](https://www.federalfinancialrelations.gov.au/content/npa/other/other/NHHA_Final.pdf)



## Inclusionary Zoning

There are a range of planning mechanisms that can be utilised to enable housing diversity and affordability and increase the supply of housing more generally. However, one component of the planning system where there is reluctance by State and Territory governments to progress is inclusionary zoning. Inclusionary zoning is an ‘intervention by government that either mandates or creates incentives so that a proportion of a residential development includes a number of affordable housing dwellings’.<sup>5</sup>

Inclusionary planning policies that deliver social and affordable housing supply vary across Australia, with approaches varying between mandated requirements in South Australia and New South Wales to voluntary requirements in Victoria.<sup>6</sup> There are also variations across jurisdictions in the proportion of affordable housing required, and whether the policy applies in specified areas or is applicable to all residential areas.<sup>7</sup> The longest-running inclusionary zoning scheme in Australia developed in Sydney over 25 years ago as an outcome of the Building Better Cities program is City West in Ultimo/Pyrmont to deliver high-density affordable housing. The scheme has delivered approximately 900 units of housing since its inception.<sup>8</sup>

The lack of a nationally consistent approach to inclusionary zoning has resulted in missed opportunities during construction booms, to deliver and leverage social and affordable housing outcomes. It is also worth noting that voluntary approaches are less likely to yield outcomes.<sup>9</sup>

Recently The Constellation Project<sup>10</sup> has been developing a national framework for mandatory inclusionary zoning (MIZ) with a minimum 10% requirement of all housing floor space developed on privately owned land should be designated, in perpetuity, as social or affordable rental housing, under community housing management. Higher targets should be set for market housing development on public land.<sup>11</sup>

### **[Read the report on mandatory inclusionary zoning.](#)**

---

5 <https://www.ahuri.edu.au/research/ahuri-briefs/Understanding-inclusionary-zoning>

6 <http://shelter.org.au/site/wp-content/uploads/190325-Inclusionary-Zoning-Report-V6-Final.pdf>

7 [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0019/17272/AHURI\\_Final\\_Report\\_No297\\_Supporting\\_affordable\\_housing\\_supply\\_inclusionary\\_planning\\_in\\_new\\_and\\_renewing\\_communities.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0019/17272/AHURI_Final_Report_No297_Supporting_affordable_housing_supply_inclusionary_planning_in_new_and_renewing_communities.pdf)

8 <https://www.sgsep.com.au/publications/insights/the-affordable-housing-beacon-we-sailed-past>

9 <http://shelter.org.au/site/wp-content/uploads/190325-Inclusionary-Zoning-Report-V6-Final.pdf>

10 The Constellation Project launched in October 2018 and is a unique cross-sector collaboration with a vision to end homelessness. The project is designed to deliver practical solutions that can be scaled. Most importantly, the work is centred around the voices of people with lived experience of homelessness, with a specific stream dedicated to Australia’s First Nations peoples. They founding organisations are PwC, Red Cross, Mission Australia, and the Centre for Social Impact.

11 [https://theconstellationproject.com.au/wp-content/uploads/2020/05/2020-05-15-MIZ\\_Brochure\\_20200318\\_v5.pdf](https://theconstellationproject.com.au/wp-content/uploads/2020/05/2020-05-15-MIZ_Brochure_20200318_v5.pdf)

## City Deals

City Deals are the identified key mechanism for the Commonwealth Government to deliver the Smart Cities Plan. They are long-term agreements between Federal, State and Local Government leaders, the community and private sector stakeholders, to drive reform and collaboration. City Deals are a strategic funding intervention for targeted place-based models to catalyse economic development through investment and infrastructure to support jobs, housing and connectivity. They provide an opportunity to leverage large scale infrastructure initiatives and provide a coordinated investment plan for capital cities and urban regions. There are currently eight agreed City Deals, and one that has been announced.<sup>12</sup>

The Smart Cities Plan identifies that City Deals may include:

- Housing supply and planning changes to encourage higher density development, affordable housing and activate value capture;
- Changes to regulatory and zoning arrangements that foster commercial growth and allow entrepreneurial approaches to service delivery including the sharing economy; and
- Maximising benefits from underutilised State and Commonwealth land example, repurposing government land to be used for affordable housing or public space.<sup>13</sup>

Not all City Deals are designed to include residential development components. Some City Deals include specific commitments and measures to deliver housing affordability and affordable housing.<sup>14</sup> However, there is no clear framework of elements for the supply of social and affordable housing, or requirement that social and affordable housing is a mandated outcome of a City Deal where there is a focus on liveability, housing supply, or urban renewal outcomes.

City Deals can also be used to improve regulations and drive reform relating to planning, housing and land use. There are opportunities to expand on the examples provided by the Smart Cities Plan to include planning reforms that explicitly achieve social and affordable housing outcomes.



---

<sup>12</sup> Agreed City Deals include Townsville, Launceston, Western Sydney, Darwin, Hobart, Geelong, Adelaide, and Perth. The announced City Deal is South East Queensland.

<sup>13</sup> <https://www.infrastructure.gov.au/cities/smart-cities/plan/index.aspx>

<sup>14</sup> The Western Sydney City Deal makes a commitment to planning and housing, specifically, the \$30million Western Parkland City housing to ensure sustainable growth. This includes streamlined and optimised planning practices to support future growth, as well as short- and long-term housing targets and housing strategies. However, it does not make reference to affordable or social housing (see <https://www.wscd.sydney/planning-housing>). The Hobart City Deal commits to investing \$40million to drive urban renewal and housing affordability, including partnering with community housing providers to deliver new dwellings, and the redevelopment of a government owned site to provide for a mixed use build providing residential accommodation, with a focus on affordable housing (see [https://www.hobartcitydeal.com.au/\\_\\_data/assets/pdf\\_file/0006/254580/Fact\\_Sheet\\_-\\_Urban\\_renewal\\_and\\_affordable\\_housing.pdf](https://www.hobartcitydeal.com.au/__data/assets/pdf_file/0006/254580/Fact_Sheet_-_Urban_renewal_and_affordable_housing.pdf)).

## Use of Surplus Commonwealth Land for Social and Affordable Housing

The use of surplus government land is a recognised strategy to leverage social and affordable housing outcomes. This can include the transfer of land at no or low cost to community housing providers or making government land available at a reduced cost to private developments while requiring affordable housing outcomes. More recently it has included the provision of government land through long term leases. The contribution of land at no or reduced cost contributes substantially to the feasibility of delivery of affordable and social housing by reducing the subsidy gap, as well as reducing up front debt lowering long term costs/enhancing project viability.<sup>15 16</sup> Additionally, the use of surplus government land for social and affordable housing outcomes can generate developing opportunities in key locations that may not otherwise be available for lower income households.

The Commonwealth Government Property Disposal Policy<sup>17 18</sup> includes consideration of affordable housing outcomes. It encourages land that is suitable for housing to include affordable housing initiatives, such as inclusionary zoning, where practical. It also encourages Commonwealth departments to work with relevant State, Territory and Local Governments to encourage planning measures to 'promote an appropriate proportion of affordable housing at sites where residential development is feasible'. There are also opportunities in the disposal policy for off-market sales to optimise broader government outcomes including social outcomes of increasing housing supply.



---

15 [https://www.ahuri.edu.au/\\_\\_data/assets/pdf\\_file/0026/45917/Dollars-to-Dwellings-Financing-Affordable-Housing-Bill-Randolph-National-Housing-Conference-2019-Darwin.pdf](https://www.ahuri.edu.au/__data/assets/pdf_file/0026/45917/Dollars-to-Dwellings-Financing-Affordable-Housing-Bill-Randolph-National-Housing-Conference-2019-Darwin.pdf)

16 [https://www.ahuri.edu.au/\\_\\_data/assets/pdf\\_file/0022/20965/Affordable-housing-supply-solutions-Bill-Randolph.pdf](https://www.ahuri.edu.au/__data/assets/pdf_file/0022/20965/Affordable-housing-supply-solutions-Bill-Randolph.pdf)

17 <https://www.finance.gov.au/government/property-and-construction/commonwealth-property-disposal-policy>

18 [https://archive.budget.gov.au/2017-18/glossies/factsheets/FS\\_13\\_Housing\\_Affordability.pdf](https://archive.budget.gov.au/2017-18/glossies/factsheets/FS_13_Housing_Affordability.pdf)