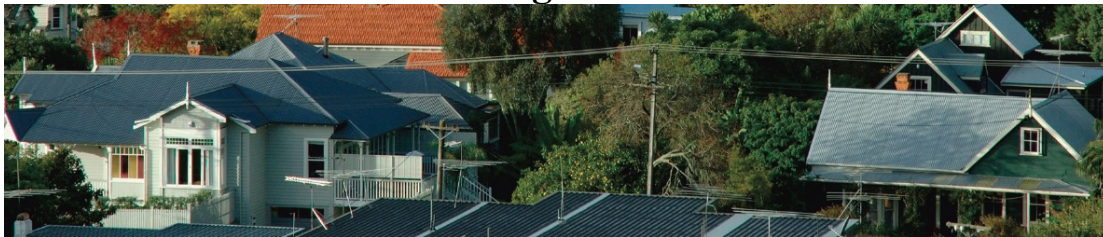


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Upping the ante: The role and potential of government land agencies in providing land for affordable housing

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Abstract

The significance of facilitating access to land at the lowest possible cost for affordable housing has been a major policy focus in recent decades, as affordability problems have deepened and traditional government funding for social housing has declined.

In Australia, deteriorating housing affordability and provision of additional affordable housing have been recognised as issues of national importance by the Council of Australian Governments. In this context, established government land agencies potentially have a leading role to play.

Using desk top methods and interviews with land development agencies, this paper assesses emerging interventions by land agencies that support the provision of affordable housing. Examples of recent and planned initiatives are discussed along with identified impediments to delivering better outcomes. The paper concludes by considering the potential for land agencies to increase the supply of well located affordable housing in Australia and discussing policy settings and practical steps that could strengthen their contribution.

Introduction

Public land agencies in Australia have always had a role in the provision of land for affordable housing, but, as this paper will argue, a changing housing policy environment and an ever-deepening affordability crisis suggest that there is both opportunity and necessity for this role to be strengthened. Recent government initiatives such as the National Rental Affordability Scheme (NRAS), the Housing Affordability Fund (HAF) and the social housing program of the Nation-Building Economic Stimulus and Jobs Plan (NBESJP), together with the emergence and growth of not-for-profit (NFP) housing developers (Milligan et al., 2009) and metropolitan strategies that are centred on densification of existing areas, signify that the land agencies operate today in a development context that is markedly different to that in which most were established.

Writing of the Australian context, commentators have argued that never before has there been a more pressing need for the direct form of government intervention in land markets that the land agencies provide (Gleeson and Coiabetto, 2007), and housing affordability is one area where they can contribute the most. Obtaining access to well-situated land remains one of the greatest challenges of the residential development process, and the cost of land is often decisive in the level of affordability that can be achieved.

The paper argues that as major controllers of developable land in all mainland states and territories, land agencies are well placed to make a significant contribution to the expansion of well-located affordable housing across Australia. To make this case, it first briefly examines the history of public land development for housing in Australia, before reviewing a range of current and planned initiatives that Australia's land agencies have used to provide or promote affordable housing. The third section of the paper discusses case studies from Australia, Austria and the United States that demonstrate innovative or instructive models or approaches. While some models have potential broader application in the Australian context, others offer insight into overcoming barriers currently faced by the Australian land agencies. In the final section, the paper reflects on current practice in Australia and overseas, and considers the potential for the land agencies to make a greater contribution to increasing the supply of well-located affordable housing. In conclusion, it highlights the strategic changes required to existing policy and institutional settings that would promote and support a greater role.

Information and ideas presented in the paper have been developed from a review of academic literature on public land agencies and housing, including international research; a survey of land agency documents and websites; and semi-structured interviews with senior staff and board members of several land agencies in Australia and overseas. For the purposes of the paper, 'affordable' housing is defined as price-restricted housing that is channelled to qualified lower income households who cannot afford to buy or rent market housing (Milligan et al., 2004).

Public land developers and affordable housing provision in Australia

In a purely market based economy, land for affordable housing tends not to be available at a price, location or quality required, and thus a key question for government concerns how possible actions in the land market might facilitate better access to appropriate sites for affordable housing. Instruments of intervention might include the designation of an affordable housing use in development plans; pre-emptive purchase rights for public authorities; funding the purchase of land in advance of development; strategic contracting or competitive tendering of required development to designated affordable housing providers; and the direct provision of land to enable the development of affordable housing (Needham and De Kam, 2000). Land set aside for affordable housing through these instruments may be sold at fair

market price or at a below-market rate (for example, cost based or use value); it may be gifted or it may be leased (Groetelaars et al., forthcoming).

In Australia and many other countries, a key strategy used by governments to promote particular economic, social and environmental objectives (including the provision of affordable housing) has been to participate directly in land markets through the acquisition, development and disposal of land. Such strategies of public land ownership and development have been employed by government agencies over many decades with improved housing affordability outcomes implicitly or explicitly an objective throughout (Roberts, 1977; Troy, 1978; Bramley, 1997; Gleeson and Coiacetto, 2007).

From the 1930s, Australian state governments participated in large-scale land ownership and residential development through housing authorities (Hayward, 1996). In the 1970s, state-level specialised land development agencies were established under the Whitlam federal government's Land Commission Program (LCP) (1972-77). This program offered the loan of funds to the states in order that they could establish 'Urban Land Commissions' (ULCs). The intention was that ULCs would purchase large areas of land with development potential and participate directly in the production of new urban property (DURD, 1974). The hope was that this form of direct government intervention in land markets would improve the quality of development outcomes, stabilise land prices supplies, assist with the co-ordination of different government agencies, reap economies of scale, and capture for community use the 'unearned increment' accruing through land-use zoning (DURD, 1974; Troy, 1978).

The LCP represented a significant departure from conventional land market regulation in Australia. Governments would no longer regulate markets through statutory development control simply in order to address externalities and secure orderly growth: through the ULCs they would now acquire property and development rights as the principal means of land market regulation (Gleeson and Coiacetto, 2007). In the years that followed the introduction of the program, ULCs were established in South Australia (1973), New South Wales (1975), Victoria (1975) and Western Australia (1975). By the mid 1970s, the ULCs had become key players in the land development industry and together had acquired land holdings of over 16,000 hectares (Troy, 1978: 140-141).

Between 1975 and the early 1990s, all of the ULCs were renamed and restructured (often several times), and their roles and responsibilities shifted and diverged. Following the dismissal of the Whitlam government in 1975, Commonwealth support and funding for the LCP was reduced dramatically. Although the ULCs continued to operate on a self-sufficient basis and were able to maintain a significant share of the land market, their aims and objectives were no longer aligned. From the early 1980s, some land agencies began to operate on a commercial basis as land *developers*, while others remained focussed solely on the production of allotments or on the wholesaling of land (Sandercock and Berry, 1983; Industry Commission, 1993). They were also increasingly subject to attack from the private sector and accused of being inefficient, inequitable and even causing a downturn in the land market (Commonwealth of Australia, 1991: 57; Industry Commission, 1993: 399; Gleeson and Coiacetto, 2007: 10). In the 1990s, many state governments undertook reviews of the land agencies from a neo-liberal perspective, catalysing a wave of restructuring underpinned by a more commercial ethos (Gleeson and Coiacetto, 2007).

Land agencies and affordable housing initiatives in the 21st Century

From the late 1990s, we can discern renewed interest in the potential of government land agencies, as several existing agencies have had their roles and responsibilities expanded and new agencies were established in the ACT (2003), Northern Territory (2003) and Queensland (2007). In addition to their traditional role in the production of residential land, the land

agencies have become increasingly involved in commercial and industrial development, land-asset management, inner-city redevelopment, and the management of major or complex projects (Gleeson and Coiacetto, 2007: 13-14; land agency websites and interviews). The shift into urban renewal areas in particular has generated additional issues and challenges for land agencies in terms of their housing impacts and supports the case for a major review of their housing-related responsibilities. For example, major redevelopment sites will often include significant sites of existing low-cost housing which may be threatened with demolition or gentrification, unless protected or replaced with similar stock. And unlike for greenfield development in the past, high land values in inner city locations and the added costs of higher-density development further reduce any likelihood of market-based affordable housing supply.

As shown in Table i, ‘affordable housing’ is today an explicit area of responsibility for VicUrban and the Urban Land Development Authority (ULDA), and ‘housing affordability’ is a priority for the Land Development Authority (LDA). Although not explicitly identified as a priority for the other land agencies, improvements to housing affordability are pursued by them under government policy. Despite their shared concern for housing affordability and the provision of additional affordable housing, however, the land agencies do not exhibit a common or consistent approach. In fact, they vary considerably in the degree to which they operate under legislative mandate or government policy, the targets set by/for them with respect to the delivery of affordable housing, the range and mix of methods they use to deliver affordable housing, and the groups and geographical areas that they target. While this diversity presents an opportunity to compare different approaches with a view to identifying effective practice, it could also suggest fragmentation and ineffectiveness, as we discuss later.

Housing affordability, as a land agency objective, emanates from different political and executive platforms. Amongst Australia’s seven land agencies, only VicUrban and the ULDA operate under explicit legislation to deliver improvements in housing affordability (Government of Victoria, 2003; Queensland Government, 2007). All other land agencies currently pursue affordable housing under policy set at government or agency level, sometimes both. In South Australia, there is a legislative requirement that affordable housing forms a minimum of 15% (including 5% for high-needs groups) of all new dwellings built on government-owned land (Milligan et al., 2009). In the ACT, housing affordability is a key policy responsibility for the LDA in line with the ACT Government’s Affordable Housing Action Plan (ACT Government, 2007). Landcom, Landcorp and the Land Development Corporation pursue their affordable housing goals primarily under state government planning and/or housing policy. Table ii sets out the various goals set by land agencies for affordable housing provision and the groups and geographical areas they target.

Table i: State land agencies operating in 2010

Jurisdiction	Land Agency	Ministerial portfolio	Priorities/ Areas of Focus
Victoria	VicUrban	Minister for Planning	Land supply and assembly Higher density housing Housing diversity and affordable housing Social inclusiveness Environmental sustainability
New South Wales	Landcom	Minister for Planning	Business efficiency Social responsibility Environmental sustainability Regional development Complex urban projects
Queensland	Urban Land Development Authority	Minister for Infrastructure and Planning	Facilitating land availability and infrastructure provision Housing diversity and affordable housing Ecological sustainability and urban design
ACT	Land Development Agency	Minister for Land and Property Services	Land release Housing affordability Commercial return Advisory role and cross-sector partnerships Developer of land and communities
South Australia	Land Management Corporation	Minister for Infrastructure	Commercial operation Land supply (residential and industrial) Urban consolidation and renewal Contribution to government priorities Disposal of government land Advisory role and innovation
Western Australia	LandCorp	Department of Regional Development and Lands	Contribution to Government priorities Market and customer focus Community development and social benefits Responsible leadership and innovation in land supply and development
Northern Territory	Land Development Corporation	Minister for Lands and Planning	Land supply (industrial and residential) Initiate, undertake, manage or facilitate development Cross-sector links Optimise return on property assets

Source: Land agency annual reports and websites

Table ii : Land agency affordable housing targets

Land Agency	Affordable housing targets	Tenure type	Geographical focus
VicUrban	40% of all land sold in lowest price quartile of local market	Traditionally homes for purchase but increasingly affordable rental	Traditionally greenfield but increasingly inner-city redevelopment
Landcom	7.5% of land/housing product affordable for households earning between 80% and 120% of median income	Homes for purchase	Traditionally greenfield but increasingly inner-city redevelopment
Urban Land Development Authority	15% of all dwellings across UDAs affordable to households earning \$40,000-\$80,000	Homes for purchase and rental	Highly varied: greenfield metropolitan, inner-city redevelopment and regional centres
Land Development Agency	15% of all dwellings at prices between \$200,000 and \$300,000	Homes for purchase and direct sales to NFPs	Greenfield
Land Management Corporation	15% of all dwellings affordable for households earning between 80% and 120% of median income	Homes for purchase	Greenfield and some inner-city redevelopment
LandCorp	No explicit targets across the board	Homes for purchase	Highly varied: greenfield metropolitan, inner-city renewal and regional centres
Land Development Corporation	No explicit targets across the board	Homes for purchase	Greenfield

Source: Land agency annual reports, websites and interviews

Delivering affordable housing – Australian case studies

Packaging and partnerships: VicUrban

Since 2001, ‘improvements in housing affordability’ has been part of the Victorian land agency’s legislative mandate (Government of Victoria, 2001: S.6). A new performance indicator, with an anticipated target of 350 units, will be introduced in 2010 to measure the number of affordable rental dwellings delivered annually. Although VicUrban works within a commercial framework, it increasingly seeks to facilitate the development of social housing and affordable rental housing by assembling land, obtaining external funding, such as through NRAS and NBESJP, and bringing together partners from the development industry, the NFP sector and the residential investment sector. Within such a strategy, serviced land goes to market with a guarantee for developers that a certain proportion of the project’s residential component will be purchased by a NFP provider so long as it is delivered within a specified price range. To illustrate, at ‘The Nicholson’ project in Melbourne, VicUrban co-ordinated the redevelopment of a former tram-depot as a mixed-use project which will ultimately deliver 58 social housing units funded under NBESJP, 31 subsidised rental units under NRAS, and 110 apartments for private purchase.

Despite VicUrban’s shift in focus towards the provision of affordable rental units, employees identify a number of challenges. The absence of any long-term funding mechanism is the most crucial of these—NRAS and the NBESJP are VicUrban’s two primary funding sources for the delivery of affordable rental units currently, but both schemes involve a competitive bidding process and will cease in the near future. Without a predictable long-term source of funding for affordable housing, it is difficult for VicUrban to establish standardised development models and to broker relationships with NFP providers and developers. There is also a major tension between VicUrban’s commercial imperatives and its social goals. VicUrban is required to deliver a return to the state government, and this limits the opportunity for surplus revenue to be reinvested towards affordable housing. Further, it is not permitted to sell land to NFP housing associations below the Valuer General’s price based on market value. In the ACT, by contrast, land sold to designated affordable housing providers by the LDA is valued in accord with its intended use for affordable housing (Milligan et al., 2010). Another emerging problem for VicUrban concerns the higher cost of inner-city redevelopment projects compared to those in greenfield areas, further reducing profit margins and impeding affordability goals, especially in the absence of other policy instruments, such as density bonuses or inclusionary zoning. Finally, sites for redevelopment may already comprise affordable housing that could be lost through the renewal process.

Statutory planning: the ULDA

Queensland’s ULDA has a legislative mandate to promote housing affordability. Its role is to facilitate the development of declared Urban Development Areas (UDAs) in line with government planning and housing policy. These UDAs currently cover an area of over 18,000 hectares spread across Brisbane, regional centres and resource-boom towns. They comprise a mix of inner city, metropolitan greenfield and regional sites, which are, or were formerly, owned by state government departments, local governments and private landowners. Some sites were purchased by the ULDA at market rates following their declaration as UDAs by the State government. Within UDAs, the ULDA is the statutory planning authority, which distinguishes its function from that of the original Urban Land Commissions and the other contemporary land agencies. Also unlike the other land agencies, the ULDA is not required to deliver profits to the state government. Instead, all of its surplus revenue is reinvested in its own operations.

As indicated in Table ii, the ULDA aims to deliver 15 per cent of all dwellings across UDAs as affordable housing. Strategies to achieve this include delivering modestly sized units, streamlining planning processes in UDAs, use of inclusionary zoning and density bonuses, and reinvesting a share of revenue generated into affordable housing. The ULDA has no

legislative or policy mandate to deliver social housing and it does not reinvest its surplus revenue into social housing development specifically. However, it can and does reserve land for NFP providers and the State housing department (for sale at market rates), and the ULDA's streamlined planning process (with a turnaround of 40 days) has benefited NFP providers operating within the tight time constraints imposed by the NBESJP and NRAS. In some UDAs, the ULDA is exploring opportunities for the delivery of dwellings that are subsidised through value-capture or externally-sourced funding, and can be gifted to NFP providers once built. The ULDA requires that a minimum of 5 per cent of gross floor area in all new developments must be affordable to rent for households on the Brisbane median income, or that an equivalent monetary fee is agreed upon.

The scale and scope of the ULDA's operations have expanded rapidly in the last twelve months but, despite its wide-ranging powers, the delivery of affordable housing remains challenging for a number of reasons. The ULDA has found it extremely difficult to deliver a diversity of housing product for households earning no more than \$80,000 threshold through market mechanisms, with one-bedroom apartments accounting for almost all of the dwellings built at or below the threshold. Another problem identified in interviews was the lack of any suitable mechanism for ensuring that lower-priced housing product was purchased by low-moderate income earners, rather than by investors. The ULDA is considering methods of pre-qualifying eligible households in order to overcome this, but currently has no role in the long-term ownership or management of dwellings. Perceived immaturity of the NFP sector and the lack of resources in the State housing department were also cited as key barriers. Finally, the ULDA considers itself as a developer operating in a market context, quite distinct from the Department of Communities providing public and community housing. It promotes itself as a provider in the affordable housing market but not as provider of social housing.

Leading the market: Landcom

While NSW's Landcom has no mandate to deliver affordable housing, it aims to lead the market with new methods of developing and providing housing that have the potential to enhance affordability. While operating on a commercial basis it has made several strategic endeavours to this end. In the early 2000s, Landcom began by developing house and land packages that could be priced within the band that was affordable to their moderate income target group.

An early example of this approach was the Forest Glade project completed in northwest Sydney in 2003, where Landcom collaborated with a housing construction firm and local planning authority to develop a replicable cutting-edge project on a commercial basis that included 20 per cent of total units at a price that was affordable to moderate-income households. Of the 64 dwellings developed, 13 were priced at a level that was no greater than 30 per cent of gross household income for moderate earners. This was achieved through an integrated house and land delivery model that enabled cost savings and value adding in the design, planning and construction stages of the development, and cooperation of the local council which modified their planning requirements in support of the moderate income housing objective (Milligan et al., 2007).

Contracts with restrictive covenants on title were used to avoid windfall gain arising from a subsequent sale of the affordable housing dwellings that were produced. These covenants limited increases in sale price to 9% per annum for a period of seven years as well as limiting on-selling to other buyers who met the moderate income housing criteria. An independent evaluation concluded that the project's cost savings and design, planning and construction innovations were replicable by innovatively-minded private providers with support from local government, but that social benefit (the level of affordable housing) from the model would be highly dependent on market context, such as adequate land supply. Moreover, there was a risk

that the innovations would not necessarily be passed on in price unless this was a prerequisite of the planning and delivery process (Cardew, unpublished, cited in Milligan et al., 2007).

While this project achieved its objectives, the model has not been continued by Landcom. Factors influencing this decision included difficulties encountered with the pre-qualification of buyers, responsibility for administration of covenants and resale restrictions and a significant increase in land prices relative to the cost of building construction. Due to this relative increase in land prices, reduced construction costs and innovative design can no longer guarantee that the final housing product will meet affordability thresholds.

Subsequent approaches by Landcom to promoting more affordable housing have included a long running attempt to develop a shared equity housing finance product in partnership with an institutional investor. So far this product has not received the favourable taxation and policy treatment that would make it viable, unlike occurred in the UK and the US where shared equity/ ownership schemes have played a larger part in affordable housing developments (Pinnegar et al., 2008). This highlights a long standing problem of governance in Australia where different spheres and agencies of government have failed to effectively integrate policies, strategies and decision-making directed at affordable housing outcomes (Milligan et al., 2009).

Landcom's current approach to driving down the cost of housing is centred on the promotion and application of its 'housing diversity guidelines' (Landcom, 2009). Like VicUrban before it, Landcom has also become involved recently in sourcing sites for a variety of social housing developments. This has put them in touch with the growing NFP sector where they expect to build and consolidate business partnerships in future. As overseas examples show, having such partnerships offers a means of managing functions that are not within a land agency's normal remit. For example, NFPs can allocate affordable housing and, importantly, help to ensure its retention, because as Jacobus and Lubell (2007) argue preservation of affordable home ownership becomes more critical as the value of subsidies involved increase in line with land and house prices.

International models

In the more mature affordable housing systems that can be found in many other developed countries, the role of an adequate and affordable supply of well located land is recognised as one crucial element, along with government guided and regulated mechanisms for raising and channeling private finance to affordable housing providers, positive planning policy frameworks, strong regulatory controls on affordable housing providers (for-profits and not-for-profits), and where necessary direct housing subsidies (for renters and buyers), for ensuring that affordability outcomes are achieved and protected (Milligan et al., 2009). A recent report for the Western Australian Government, to which two of the authors for this paper contributed, illustrates the ways that six jurisdictions (Austria, England, France, Switzerland, the USA and the Netherlands) have packaged these measure to promote the supply of affordable housing, with a focus on financing mechanisms (Lawson et al., 2010). Below we highlight two contrasting examples from two of those countries of how land is acquired and used for affordable housing: one highly prescriptive and embedded in the development of affordable housing, the other a bottom up community organised response to markets which fail to provide adequate opportunities.

Land-banking in Vienna, Austria

Land for affordable housing in Vienna (Austria) is delivered via three main instruments: the strategic metropolitan plan; caps on the land purchase price for affordable housing; and the strategic supply of land by a specialist agency, 'Wohnfond', within this price. Wohnfond is an independent not-for-profit organisation that has been operating in Vienna for over 25 years,

and works closely with the city council in the provision of land for affordable housing, delivering about 7,000 sites annually. Wohnfond purchases land within specified price limits in accordance with the city council's strategic plan far in advance of planned development. It then co-ordinates site planning and development activities with the city council, including the provision of physical and social infrastructure, and establishes a set price at which land will be sold to developers. The release of sites themselves is contingent on the provision of social and physical infrastructure by the city council, and on the availability of public loans and grants for land purchase and dwelling construction. These public loans and grants, which are provided by the city council and administered by Wohnfond, come with cost rent limits which tie rental prices to development costs (Deutsch and Lawson, 2010).

There has been much international interest in the Wohnfond model. Its role in stabilising land prices is considered integral to the success of the limited-profit sector in Vienna, which holds about a one eighth share of the housing market (Lawson et al., 2010). Wohnfond's achievements are well documented, including the low and stable cost of developable land, the responsive volume of sites provided to meet well planned for housing needs, and the promotion of clearly articulated planning goals while encouraging innovative responses through developer competitions (Wohnfond Wien, website). Although Wohnfond was originally provided with land and start-up capital by the city council, it now considers itself to be financially independent, and able to self-finance. There is support for the activities of Wohnfond across the political spectrum, as well as the housing industry which depends on the organisation to deliver sites within required public subsidy limits, which is integral to their project financing. As such, there are no signs that its role will change (Hofer, 2010).

Vienna's Wohnfond illustrates how land markets can be honed, through the integrated use of intermediaries, incentives and regulations, to optimise social outcomes. The successful and sustained integration of government housing and planning policy objectives with the practice of land supply agencies steered by public boards has been vital to the success of the Viennese model. The lower price of land, coupled with public loans for construction, makes rental housing affordable and reduces the burden on public assistance. Competition between developers maximises quality and efficiency. Major cities in Australia could look to Vienna as a model to overcome their fragmented and diffuse approach to affordable housing development.

Community Land Trusts in the United States

In the United States, Community Land Trusts (CLTs) are an emerging mechanism for expanding and preserving the stock of affordable housing. They are non-profit, community-based organisations whose mission it is to provide perpetually affordable housing by acquiring land and leasing it to those who live in houses built on that land. CLTs retain ownership of land to ensure that housing remains affordable and the lease contract incorporates a resale requirement which is intended to balance the interests of present homeowners (for example, family succession rights and equity gain) with the long-term goals to provide affordable housing for future homeowners (Lincoln Institute, 2005). CLTs are an up-and-coming model of low cost housing provision in the United States with over 240 communities involved across the country, providing an estimated 12,000 dwellings (Lincoln Institute, website).

One of features of CLTs is incorporation of a high level of resident/member input into governance of the trust. In a typical CLT, there is a management board comprising equivalent numbers of people who live in the leased housing (leaseholders); those who live in the targeted area (community members); and local representatives from government, funding agencies and the non-profit sector (public interest) (Burlington Associates 2003 in Lincoln Institute, 2005). It is the responsibility of the CLT to qualify residents for housing, provide support and training to enable their continuing residency, ensure property maintenance is kept

up and manage resales to support continuing affordability and targeting of housing (Davis, 2010). This governance model shows one way of addressing some of the key barriers facing the Australian land agencies—how to manage who accesses affordable housing and how to retain the benefits of lower priced housing for future generations.

Discussion and conclusions

Promoting housing affordability was implicitly part of the aim of the Land Commission Program and remains a key goal for all of the land agencies that operate today. However, the provision of affordable housing (as defined in this paper) has never been, and is not currently, a priority, with most land agencies remaining focused on the delivery of market housing for purchase. The Australian case studies suggest that whilst there is broad recognition that land agencies can and should have a greater role in the provision of affordable housing, they face several significant impediments. In this section, we review some of the reasons that affordable housing has not been widely developed to date, with a view to how these might be overcome.

Arguably, the principal challenge for land agencies is the tension between social goals and commercial imperatives. This is something which has been identified as a key difficulty by researchers over three decades yet which remains unresolved (Sandercock and Berry, 1983; Bramley, 1997; Gleeson & Coiacetto, 2007). With the exception of the ULDA, all of the land agencies are expected to deliver profits to their state Treasury, which limits the potential and incentive for any surplus revenue they generate to be reinvested in affordable housing initiatives. A major difficulty, in turning this situation around, is quantifying the benefits offered by affordable housing provision when compared with the environmental or financial benefits of particular development outcomes: whilst it is easy to show that a particular proposal will deliver more or less profit or will score well or poorly in terms of energy and water efficiency, it is more difficult to quantify the positive effect that a component of affordable housing will have for a community. As a result, social mix and affordable housing provision are in many cases supplanted by more easily measurable financial or environmental objectives. Some advances are being made in this respect, with VicUrban developing a ‘triple-bottom-line’ indicator which will allow the social benefits of a proposal to be quantified and assessed against environmental and economic benefits, with governments then able to ‘buy’ social outcomes. The risk with such an approach, however, is that it may simply lead to competition between objectives, rather than a purposefully balanced strategy.

By obtaining funds through recent government housing initiatives, some of the land agencies have been able to deliver additional affordable dwellings within their commercial parameters, in partnership with other government agencies and NFPs. This emerging approach of aligning land sourcing with external funding for, and delivery of, affordable housing mirrors international best practice (Milligan et al., 2009; Lawson et al., 2010). However, whilst a number of these projects have emerged in the short term, the financing schemes currently in use are finite and bids for funds are competitively assessed on a project-by-project basis. Under these conditions, there is no assured foundation from which to develop medium and long-term plans for affordable housing provision or to justify dedicating specialised capacity in either the land agencies or the delivery partners. Thus, insufficient funding and capacity stymies attempts to incorporate social and affordable units in a project, even in cases where land has been earmarked for those uses.

Finally, unlike elsewhere, the land agencies, apart from the LDA, currently do not provide land for affordable housing at a price that reflects its use value and in most cases there is no pressure from state governments who rely on their dividends to do so.

Ways forward

Gleeson and Coiacetto (2007) argue that the Australian land agencies offer one of the most powerful instruments available to government as they seek to deliver an expanding range of economic, social and environmental objectives. What this paper has sought to explore is whether this potential is currently being realised with respect to the provision of affordable housing—an area that has either implicitly or explicitly been a concern for them throughout their existence—at a time when this problem is at its historic worst. The paper has shown that the focus of the land agencies remains on lower-cost home-ownership, which is increasingly difficult to achieve for their self-nominated moderate income target group, but that affordable rental is an emerging area of interest for some, if not all. In this concluding section, we consider the ways in which the contribution of land agencies towards the provision of well-located affordable housing can be increased both through changes to existing policy settings and within them.

The principal barriers to the provision of affordable housing identified by land agency employees and board members are to do with roles and resources. An expectation that land agencies will operate commercially and deliver profits to Treasury, limits their potential for engagement in affordable housing initiatives, as does their targeting of their affordable product to moderate income households only, and the absence of any secure funding mechanisms supporting lower income home ownership products or low rent provision in the medium and long term. Changes to one or more of these three key factors—that is, reduced pressure to deliver profits, an increased focus on the delivery of affordable rental units and innovative home ownership products and access for affordable housing providers to more predictable funding—could have a significant impact on the volume and variety of affordable housing provision achieved by land agencies, especially in partnership with NFPs. Changes in each of these areas are beyond the remit of the land agencies themselves and will require decisions in federal and/or state government spheres. Presently, the reference to the Council of Australian Governments on housing supply and affordability reform (COAG, 2010) represents a major opportunity to achieve a breakthrough around one or more of these constraints. A review of the roles and responsibilities of the land agencies with a view to increasing their contribution to affordable housing should be a priority on the reform agenda. Meanwhile, the examples in this paper point to further opportunities for land agencies themselves to incrementally improve their contribution through a range of specific endeavours within existing policy and institutional settings.

One straightforward way that the land agencies can facilitate the provision of affordable housing is by packaging land for affordable housing and bringing it to market, as VicUrban are already doing. Land agencies can lock-in a NFP housing component to de-risk a project; a strategy which is commonly applied to projects with commercial or retail tenants. Within such a model, the land agency would assemble land, prepare planning and design proposals in collaboration with local planning authorities, and would be able to guarantee to potential developers that a certain proportion of the project's residential component would be purchased by a NFP provider if it met their specifications and was delivered within a certain price range. In such a role on an inner-city urban redevelopment site, for example, NFP providers would contribute to the continuation of socially inclusive communities and provide a long-term anchor for a new community. The proviso here is that the NFP must have assured access to appropriate public and private finance at the project establishment phase. An alternative but not dissimilar strategy could be for land agencies to reserve plots of land for NFP providers at prices determined by the Valuer General (based on use value as occurs in the ACT), to defer its purchase, or to otherwise prioritise NFPs in its sale (Milligan et al., 2009). Through such processes, NFP developers could become bigger and more influential customers of the land agencies; something which is increasingly feasible as the NFP sector expands and matures.

A complementary role could see the land agencies establish templates and development models for affordable housing projects that can meet the building and cost specifications of NFP providers. These would seek to reduce lot sizes, maximize floor area, standardise design and construction methods, identify suitable planning concessions (such as reduced parking and density bonuses) and reap economies of scale. Landcom's housing diversity guidelines and the expertise they have developed in unpacking the layering of costs in major developments (and using this as a basis for negotiation with local planning authorities) illustrate the potential of this role.

Most land agencies have no statutory planning control powers, and it is therefore not possible for them to implement policies of inclusionary zoning or to offer density bonuses in exchange for contributions towards affordable housing provision. However, they do operate under planning frameworks which enable them to negotiate voluntary developer contributions. To improve their effectiveness in this process, the South Australian approach of expecting 15% of all dwellings to be affordable to low and moderate income households could be replicated in other states and territories, and within this further guidelines could nominate levels of income and tenure mix on the basis of local needs.

An approach already used by the ULDA and VicUrban has been to source external funding for affordable housing development, and to use these funds to procure properties that can then be gifted to local NFP providers. The aim with such a strategy is to build the balance sheet of NFP providers in order that they will ultimately be able to leverage additional housing themselves. The ULDA is also considering the use of profits from the market component of some projects to cross-subsidise the development of dwellings that can then be gifted to NFP providers. However, in most jurisdictions, such a strategy would need Treasury support, such as through dividend relief.

Perhaps the most innovative shift possible within existing policy and institutional settings would see land agencies assume responsibility for retaining some ownership of their land to be developed for affordable housing. While retaining ownership (and hence a positive balance sheet), land agencies could allow the development of affordable rental housing on their sites by a privately financed NFP, and/or they could make some lots available on a long-term lease to households wishing to build and finance their own homes (with a similar aim to the latter model, the ACT Government currently operates a land-rent scheme, which defers the cost of homeownership by delaying the purchase of government land). Under contractual arrangements with the land agencies, NFP housing providers, as well as allocating and managing dwellings to be rented out, could assist in ensuring compliance with conditions of private buyers, functions the land agencies themselves are unwilling to take on. In such a role, they could help to emulate the preservation of affordability being achieved by Community Land Trusts discussed above. If desired over time as residents become established, a CLT type entity could be set up at some of these retained sites.

In conclusion, the Australian land agencies have always had a role in promoting housing affordability, but there are strong grounds for them to respond more vigorously to new opportunities and challenges, particularly given Australia's entrenched affordability problem and the potential of Australia's growing NFP sector to partner with them to deliver and sustain a variety of affordable housing products. The impacts of the land market on the purchase price of housing, locational choice, social mix and the regional jobs/housing balance are some of the biggest factors affecting the economic, social and environmental outcomes of the way that housing is provided in Australia. As state-directed major land developers, the land agencies have considerable potential to facilitate the provision of more affordable housing. However, their efforts so far while genuine (and often voluntary), have been stymied by weak and poorly integrated housing and planning policies and a lack of permanent funding for affordable housing and, consequently, have been piecemeal and lacked scale. What is

required in the immediacy is a stronger expectation by governments that land agencies should facilitate more affordable housing options as a primary objective, an increased recognition by the land agencies themselves that housing NFPs offer them valuable delivery partners, and political and Treasury acceptance that social goals are no less important than financial return. From this, much more may flow to protect, promote and produce affordable housing.

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