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# Home security: Marketisation and the changing face of housing assistance in Australia

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Australia's housing system has always been primarily private, with the property development industry delivering the majority of new housing since the early days of colonisation. Since Federation in 1901, strong Commonwealth government support for home ownership reflected and reinforced the great Australian dream of owning a home (Paris 1993). Representing material as well as emotional security, home ownership has been an important aspiration for the majority of Australian households, with short-term private rental accommodation regarded as a secondary and transitional option at the beginning of the housing career (Badcock & Beer 2000). The rate of home ownership, outright or with a mortgage, has only declined slightly over the past 50 years, from 71 percent in 1966 to 67 percent in 2011 (ABS 2010, 2011). A small public rental housing system, funded since 1945 through Commonwealth grants to the states under the Commonwealth State Housing Agreement (CSHA) was originally intended to complement and offset the vagaries of the private land and housing market, but in practice, remained largely divorced from wider government initiatives for home ownership and urban policy (Gleeson & Low 2000).

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Despite a significant program of construction in the postwar decades, much of the public rental housing developed by the State Housing Authorities was sold to tenants during the 1980s and by the early 1990s public rental housing had become a small sector of the overall housing system, highly targeted towards low-income households (Jones, Phillips & Milligan 2007). This tightening of access to public housing coincided with an ongoing contraction of new public housing supply. A National Affordable Housing Agreement (NAHA) replaced the CSHA in 2009, promising a wider policy framework for public housing, remote Indigenous housing, and homelessness initiatives. The new 'affordable housing' lexicon signalled a conceptual bridge between private market forms of housing delivery and the evolution of a new housing sector, encompassing public, community, non-profit, and for-profit housing providers.

This chapter provides a taxonomy of these new initiatives, conceptualising them within the larger evolution of Australia's housing assistance policy under the influence of 'new public management' (NPM) in the 1980s and 1990s. It discusses the privatisation of rental housing support through the introduction of semi-market measures such as financial rent assistance and the economic rationalisation of public housing services; the diversification of the social housing sector through the introduction of new housing providers and forms of housing provision; the introduction of new financial incentives to leverage private sector investment in affordable housing development and to encourage new partnerships for mixed-tenure housing development; and the mobilisation of the land use planning system to secure additional resources and development opportunities for social housing and/or subsidised home purchase. The chapter situates the Australian case in relation to international developments in housing policy, highlighting key influences; particularly the diversification of social housing provision, estate renewal and redevelopment, private rental assistance, incentives for investment in social housing, and the planning system. In conclusion, the chapter highlights some of the tensions that have arisen in the increasing adoption of market mechanisms and reliance on private funding in the delivery of housing assistance, and the future security of Australia's hybrid affordable housing sector underpinned by public assets and subsidy, but sustained by private investment.

## Housing, governments and markets

In the private housing market – rental or owner-occupied – the ability to obtain a home depends on the ability to pay. A household's demand for housing, defined by Harriott and Matthews (1998, p. 3) as 'the desire for housing backed by the ability to pay for it' will be met by the private market. This chapter looks at government intervention when the market fails to meet the housing demands of all households. In Australia, this intervention includes direct provision of housing by the state, private rental assistance, and home ownership subsidies. While 'affordable housing' can be a tenure-neutral term to describe housing that is priced to be accessible to low to moderate income households, for the purpose of this chapter it is defined more specifically for the Australian context as housing that is initiated and owned by non-government not-for-profit providers; financed through a mix of public subsidies, planning benefits, private equity or debt finance; priced at below market rents and restricted to moderate or low-income client groups (Lawson & Milligan 2007, p. 75; Wiesel et al. 2012, p. 13). In Australia, 'public housing' refers to housing which is owned and managed by State Housing Authorities (SHAs), whereas 'social housing' is a more expansive term which encompasses public housing and housing owned or managed by other entities, such as community housing or church groups, on a not-for-profit basis.

### *National trends in housing assistance*

Australian housing assistance policy reflects several international trends in analogous jurisdictions where private home ownership remains the dominant tenure form, such as the United States, the United Kingdom and New Zealand. Within an overall policy framework favouring private home ownership, as well as a smaller private rental market, direct support through publicly developed and managed housing has been a feature of national housing policy since the early the 20th century, but gained particular momentum in the postwar years (von Hoffman 2009). In the latter years of the last century, Australia, like many other nations, began to diversify approaches to direct housing assistance from government to non-government, community-based or non-profit housing providers; renew and redevelop ageing public housing estates; and introduce mixed-tenure models intended to reduce spatial concentrations of social disadvantage. Other international trends influencing Australian housing policy included increasing the use of demand-based subsidies to assist low and moderate income earners meet housing payments (rather than investing in increased affordable or public housing supply); financial incentives for investment in social housing; and planning system mechanisms to preserve existing low-cost homes or secure new affordable housing opportunities during processes of urban development.

Internationally, the era of government housing provision that began in the 1950s was in decline in the United States, the United Kingdom, and New Zealand from the 1960s. In the United States, the federal government was increasingly reliant on the private market, and in 1973 Richard Nixon ordered a freeze on public housing construction (Husock 1997, p. 73), while in the United Kingdom, the 1960s saw the promotion of private, non-profit housing associations as an alternative to council housing (Mullins & Murie 2006, p. 37). In New Zealand, investment levels in public housing diminished and by the 1980s, state-owned housing accounted for only five percent of dwellings (Murphy 2003, p. 119). Following this withdrawal of supply-side subsidies through the direct provision of public housing, there was increased focus on demand-side subsidies and private market led solutions. In many jurisdictions, this meant giving tenants 'vouchers' to purchase rental accommodation in the private market (Harriott & Matthews 1998; Murphy 2003; Jacob 2004).

These housing assistance trends demonstrate broader shifts in the relationship between governments and markets. Since the mid-1980s there has been a transformation in the role of the government in many countries. The traditional, hierarchical, bureaucratic form of public administration, which predominated for most of the 20th century, moved towards a more flexible, market-based form of public management, collectively known as 'new public management' 'managerialism' or 'reinventing government' (Hughes 1998; Norman & Stace 1998). Although NPM is generally associated with the 1980s and 1990s, its origins can be traced back to the economic boom following the Second World War. This began with a rapid expansion of quasi-governmental bodies at the edges of government in the 1960s. It progressed in the 1970s with a 'privatisation boom', in response to 'claimed pathologies of the traditional bureaucratic mode of public administration' (Cheung 1996, p. 38).

Economists in the 1970s devised models of bureaucracy that argued the public sector budget was inflated under pluralist party political systems (Niskanen 1973). Under these models, bureaucracies inherently oversupply outputs by establishing a budget that delivers up to twice the socially optimal level of services (Dunleavy 1986, p. 16). Traditional models of bureaucracy were thought to be 'consumed by incentives to maximise their own power at the expense of public goals' (Kettl 2000, p. 31). This 'public choice school' of economic thought is most closely associated with James Buchanan (Bannock, Baxter & Davis 2003, p. 315). Buchanan (1978) viewed government as a leviathan which aimed to maximise its revenue, exploit its monopoly power and expand its influence. The power of government to tax, borrow and print money should therefore be limited (Bannock et al. 2003, p. 315). From these intellectual sources came the impetus to corporatise, privatise (where possible) and open up the public sector to competition.

The public choice school formed the basis of what Donald Kettl has called a 'global reform movement in public management' (2000, p. 1). He argues that this movement has embodied six core characteristics: an overall focus on productivity, or how governments can produce more services with less tax money; marketisation, or how governments can use market style incentives to rid bureaucracy of its 'pathologies'; service orientation, or how governments can 'better connect' with their citizens; decentralisation of programs to lower levels of government; a focus on improving policy development and delivery by separating policy and provision agencies; and accountability, with a shift in focus from process and structure to outputs and outcomes. Many other authors have also summarised the major tenets of NPM, for example Rod Rhodes (1991), who characterised NPM as embodying a focus on management, not policy; a focus on performance appraisal and efficiency; the disaggregation of public bureaucracies into agencies that deal with each other on a user pays basis; the use of quasi-markets and contracting out to foster competition; cost cutting; and a management style which emphasises output targets, limited term contracts, and monetary performance incentives.

### *International housing policy and NPM*

In international housing policy, NPM was applied chiefly through the marketisation of housing assistance. Approaches to marketisation include extensive privatisation by selling public assets, and relying on the private sector for service delivery. In the United States, HOPE VI was the major federal level housing assistance marketisation intervention. Between 1992 and 2002, 63,100 public housing units were demolished, with housing vouchers provided to enable some of the original residents to rent in the private market (Popkin et al. 2004, p. 2). In the United Kingdom, marketisation was seen in housing stock transfer to arms-length housing associations, and the introduction of market processes into a shrinking public housing portfolio, whereby public landlords were increasingly reliant on private finance (Bramley, Munro & Pawson 2004, p. 3). In New Zealand, the application of NPM to housing assistance occurred from 1990, with key reforms including the creation of a profit-oriented Housing New Zealand Corporation to manage state-owned housing, the privatisation of the state's residential mortgage portfolio, market rents for state houses, and the introduction of housing vouchers to assist low-income households with housing costs in the private rental sector (Murphy 2003, p. 119).

## Foundations of Australian housing assistance

Australian Commonwealth and state governments provide assistance for home ownership. The current suite of assistance mechanisms include government outlays, such as the First Home Owner Grant; taxation expenditures, including the non-taxation of imputed rent from owner occupation, rates and land tax concessions, and capital gain and stamp duty exemptions; and government regulations and standards in housing and financial markets (SCRGSP 2006–13).

### *Housing as a basic human need*

In addition to support for home purchase, governments in Australia intervene in the housing market by funding social housing and private rental assistance. The basis of this intervention is the philosophical position that access to housing is a basic human need:

Table 7.1 Australian government housing assistance

| Policy | Year introduced | Nature of assistance | Expenditure in most recent year ($M) |
|---|---|---|---|
| Commonwealth First Home Owner Grant (FHOG) subsidies* | 2000 | Indirect | $706 (2011/12) |
| Negative gearing tax concessions** | 1930s | Indirect | $7,901 (2010/11) |
| Private rental assistance (CRA) | 1958 | Indirect | $3,354 (2011/12) |
| Subsidised non-government provision through community housing*** | 1980s | Indirect | $509 (2010/11) |
| Social housing provision (capital and recurrent expenditure) | 1945 | Direct | $6,053 (2011/12) |

*2011/12 figures are for $7,000 FHOG only, state FHOG boosts and concessions are excluded. ** Australian Taxation Statistics for 2010/11 financial year. ***Community housing expenditure for 2010/11. Sources: (SCRGSP 2006–13; ATO 2012).

> Housing is a basic human need. Governments in Australia assist home ownership, and in turn accept that people who are not in home ownership should be ensured some of its benefits – through public housing and rental assistance (Australian Industry Commission 1993, p. xv).

The key elements of government housing assistance are set out in Table 7.1, along with their year of introduction and the level of expenditure in the most recently available financial year. These figures exclude capital gain exemptions on the primary dwelling. The table demonstrates that annual indirect housing subsidies (including private rental assistance) totalled over $12 billion, more than double the $6 billion spent on social housing.

The Commonwealth government in Australia was directly involved in housing policy from the beginning of the 20th century, albeit through subsidies for private homeownership only. The *War Service Homes Act* (1912), provided for loans to returned servicemen and gave power to the War Service Homes Commission to build homes for sale to these servicemen, while the *Commonwealth Housing Act* (1927 and

1928) provided housing finance loans to facilitate home ownership for low to moderate income households (Pettigrew 2005, p. 25). At state level, the first SHAs began to take shape between 1935 and 1941, with the exceptions of Queensland and Western Australia, which focused on the construction of subsidised dwellings for homeowners during this period (Hayward 1996, p. 15). Three conceptions of public housing were predominant up to 1945: as a reward for deserving families who could not afford home ownership; as a tool for the alleviation of poverty; and as a temporary necessity to overcome a housing 'shortage' caused by depression and war (Jones 1972 cited in Pettigrew 2005, p. 30).

The Commonwealth established a Housing Commission in 1943 to examine Australia's housing problems, and recommend solutions to address them. The report set out a national target of 80,000 new public housing dwellings per year. The Commonwealth government would assume the major financial responsibility on account of its superior revenue raising capacity, and the state governments would have direct responsibility for constructing and managing the public housing sector (Berry 1988, p. 98). This represented a shift towards government support for public housing as a legitimate tenure. The Commonwealth periodically negotiated agreements about housing with the states, under the CSHA. The first CSHA in 1954 encouraged Queensland (1945) and Western Australia (1946) to establish Housing Commissions, while Tasmania expanded its housing sales program to include the provision of rental units. Under this first CSHA, the number of public dwelling completions rose from 4,028 in 1945–46 to 14,317 in 1954–55. A total of 96,292 public dwellings were completed through the first CSHA (Hayward 1996, p. 16).

### *Public housing in the postwar years*

In the immediate postwar decades, Australian public housing was aimed at those who had the potential to be economically and socially independent. Eligibility criteria excluded the unemployed, the elderly, sole parents and those with disabilities (see Hayward 1996). The stock constructed from the 1940s to the 1970s reflected this, being largely three-bedroom detached houses (with some high rise in Melbourne and Sydney) (Burke & Hayward 2006). In the 1970s, the Housing Commissions were replaced by Housing Departments. In Victoria and NSW the construction of high rise towers, which was a prominent feature of public housing provision in the 1960s, was wound down by the 1970s. The emphasis began to shift away from the construction of whole suburbs and high rise towers toward infill housing, often in inner and middle suburbs (Hayward 1996).

The CSHA was renegotiated numerous times between 1943 and 2009. The Whitlam government increased the funding of public housing in 1972, but also imposed a stricter means test for public housing tenants in the 1973 CSHA. In 1978, the Fraser government reduced considerably the amount of funding for public housing, and proposed a phased introduction of market rents during the life of the CSHA. Funding for public housing was increased by the newly elected Hawke government between 1983 and 1984. This high level of funding was maintained under the 1984 CSHA. From 1986 to 1987 the Commonwealth reduced the level of funding, but at the same time agreed to replace all loans to SHAs with grants (Hayward 1996).

Despite the fluctuating funding levels, a consistent theme from the 1956 CSHA onwards was the use of public housing as another way to promote owner occupation, through sales programs to tenants. By the end of the 1960s it is estimated that Victoria had sold 43 percent of its public housing (Burke et al. 1985, cited in Hayward 1996, p. 19), while Tasmania had sold 67 percent (Martin 1988 cited in Hayward 1996, p. 19). Therefore, the public housing project in Australia over the period of the CSHAs can be seen within the wider context of state and Commonwealth government support for private owner occupation.

## The marketisation of Australian housing assistance

Along with a longstanding focus on the private market and owner occupation from the beginnings of government housing assistance, Australian housing policy was also influenced by NPM ideas. By the 1980s, there was a growing awareness throughout the public housing sector that housing assistance in Australia was in need of reform. Funding declined, with the Commonwealth government redirecting housing assistance payments toward private rental subsidies. The consequences for public housing included record waiting lists, a mismatch between available stock and the needs of households, and a maintenance backlog (Burke & Hayward 2006).

### *NPM in Australian housing*

NPM was applied across the Australian public sector. Until the 1980s, Australia had a traditional public service culture modelled on the British system of public administration. From the mid-1980s, the Commonwealth government embarked on a major series of reforms. Public sector agencies were to be more market-oriented, and if state agencies could not be fully privatised then business practices would be applied to their management (Pusey 1991). It was in the context of these changes to the public sector as a whole that NPM came to be applied to housing policy. The public administration methodology employed in the housing sector (and other government agencies) entailed clear specification of objectives, and funding for the delivery of a set of outputs, which in turn delivered outcomes that helped achieve the original objectives (Burke & Hayward 2006). This system of measurable objectives and outputs fostered a culture of policy and program evaluation.

Terry Burke and David Hayward (2006, p. 8) contend that by the mid-1990s, the Australian public housing system was characterised by a cascading set of performance indicators, 'all intimately linked to the new managerialism', another term for NPM. At the national level, indicators included how well public housing met its objectives, and how public housing agencies were performing compared with other sectors, for example, the private rental sector. These were repeated at the state level, in terms of how well a SHA was meeting its objectives and its performance compared to the private sector. Within individual SHA business units, indicators focused on how well a specific function or business was performing, for example, housing finance, stock production or rental housing management. This cascaded all the way down to an individual SHA employee level, with work performance measured against prescribed targets. The emphasis on performance indicators at all levels of the public housing system demonstrates the shift to measuring outputs and outcomes emphasised by Kettl (2000) and Rhodes (1991).

Within housing policy, NPM principles were also seen in the Mant Report on public housing in NSW (Mant 1992) and the Industry Commission report on public housing nationally (Industry Commission 1993). For example, following the recommendations of the Mant Report, some housing policy and regulatory functions were separated from the NSW Department of Housing and located in another agency (although these were subsequently returned to the Department of Housing) (ShelterNSW February 2006, p. 36). This separation of policy and service delivery functions is one of the six core characteristics of NPM identified by Kettl (2000).

### *Residualisation of public housing*

The tangible consequences of this shift to NPM principles included funding and stock stagnation for public housing, moves towards private market provision with housing vouchers, and looking to the market to assist with housing estate renewal. Between 1984–85 and 1994–95, per capita levels of spending on CSHA housing assistance for public housing decreased by one-quarter, while during the same period expenditure on Commonwealth Rent Assistance (housing vouchers) more than tripled (AIHW 1997, p. 155–57, cited in DOH November 2000, p. 34). From 1996 to 2012 the total social housing stock declined from around 400,000 dwellings to 330,000, now amounting to less than four percent of total housing stock (SCRGSP 2006–13). Figure 7.1 compares real government expenditure on public housing through the last two CSHAs (to the end of 2008) and Commonwealth Rent Assistance (CRA), demonstrating declining funding for direct housing assistance in favour of market-based housing vouchers.

This decline in the proportion of public housing units ‘occurred at a time when there was a disproportional growth in the number of low-income households’ (Yates 2002, p. 38). Targeting of public housing through rationing allocations was a response to this situation, and by 2010 around 90 percent of tenants were on social security benefits, compared to less than 50 percent in 1981 (Income and Housing Survey 1981/2 and 2009/10). Singles and sole parents, many having experienced domestic violence, drug and alcohol addiction, or mental illness, became the major groups being allocated public housing. This growing proportion of low-income and high-needs households in public housing has been termed the ‘residualisation’ of the sector, whereby it became housing 'of last resort' rather than a mainstream tenure choice (Atkinson & Jacobs 2008, p. 4).

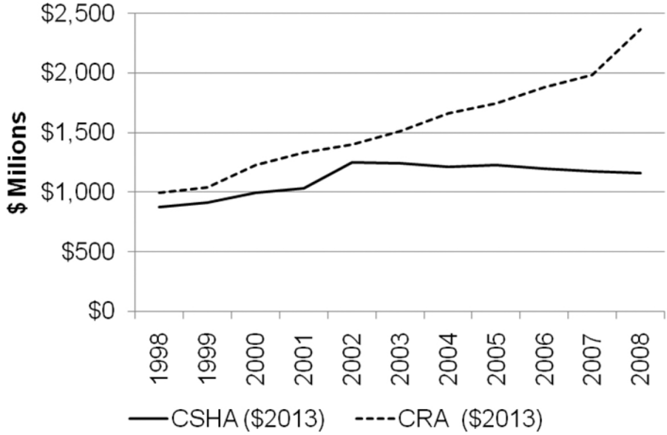


Figure 7.1 Real expenditure on public housing and private rental vouchers, 1998–2008 (AUD2013). Source: SCRGSP (2006–13); ABS (2013)

This residualisation of public housing, combined with the physical design legacies of the 1960s and 1970s, meant that housing estates became highly stigmatised (Arthurson 2004). Consequently, by the 1980s SHAs across Australia began to undertake renewal projects on public housing estates to reduce concentrations of social deprivation (Randolph & Judd 2000). These renewal activities have also provided opportunities to leverage new private market funding in the redevelopment of social housing and, potentially, new forms of housing assistance targeting more moderate income earners now needing modest levels of government subsidy to meet their housing payments (see Parry & Strommen 2001; Hughes 2004; Randolph & Judd 2006). Much of this renewal activity has focused on social mix, by diversifying tenure on public housing estates to introduce private renters and owners (Groenhart 2013a).

## A new era of housing assistance?

In 2007, the election of the first of several Labor governments (2007–2013) marked a renewed Commonwealth government interest in housing. The introduction of a new National Affordable Housing Agreement – which replaced the CSHA in 2009 – was a tangible expression of the government's housing policy platform. The NAHA is structured around a single objective, that: 'all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation' (COAG 2008). The NAHA is much broader in scope than the 60 years of CSHAs it replaced, covering measures at all levels of government that impact on housing affordability. It includes Commonwealth, state and territory and local governments, and embraces a wide range of policy areas, incorporating homelessness, social housing, efficient private housing markets and Indigenous housing.

In addition to the NAHA, the Rudd government also introduced the Nation Building and Jobs Plan, a stimulus package responding to the global economic downturn of 2008 and 2009. This included a National Partnership Agreement on Social Housing, with funding to upgrade 2,500 existing social housing dwellings by 2010 and construct 20,000 new social housing dwellings by 2012. In the wider sphere of housing affordability, the federal ALP government introduced the National Rental Affordability Scheme (NRAS) in July 2008 to stimulate the supply of new affordable private market rental dwellings, through the subsidisation of new dwellings which are rented at below market rates.

Together, these initiatives marked a changing emphasis in Australian housing assistance; with renewed Commonwealth government engagement in housing markets in general, and in affordable and public housing in particular. The question is whether these changes represent a shift away from the marketisation of housing assistance, or are the next stage in the evolution of the NPM project.

### *Diversity and choice for social housing 'customers'*

The diversification of the social housing sector through the introduction of new housing providers was underway from the 1990s. This was achieved when SHAs transferred the management, and in some cases the ownership, of public housing stock to community-based providers.

These transfers continued into the 2000s and accelerated under the NAHA. During the mid-1990s the lexicon supporting stock transfer was very much embedded in concepts of greater housing 'choice' for 'clients or customers' – public housing tenants – for whom diversity of housing delivery from non-profit housing providers acting in competition with each other was to result in better overall housing services. This is a stark example of the use of quasi-markets and the use of contracting out to increase competition. In some ways the promises of this policy were realised, with significant improvements in tenancy management and satisfaction outcomes recorded in areas of NSW where early transfers (of tenancies and management, rather than actual property title) took place (for example, see Department of Families and Community Services 2002). Interventions through intensive tenancy management by Argyle Community Housing on the troubled Claymore public housing estate in NSW in the late 1990s highlighted the potential for community-based organisations to undertake specific engagement programs and to more closely monitor service and maintenance standards for their smaller property portfolios (Randolph & Judd 2000).

Nonetheless, in comparison to international jurisdictions, Australia's community housing sector remained relatively small in scale with supply and growth limitations meaning that ideas of housing choice for low-income households and those with special needs were never really achieved in most jurisdictions. While the community housing sector had just under 46,000 dwellings by 2010 (a 170 percent increase in supply in from 2000), there were still 37,000 applicants on the community housing waiting list (AIHW 2011). Furthermore, public housing dwellings decreased by 6.6 percent over this same period. Because of declining funding for public housing and the transfer of public housing units to community housing providers, there has been no net increase in social housing supply (see Groenhart 2013b).

### *Leveraging private sector investment*

The introduction of new financial incentives to leverage private sector investment in affordable housing development and to encourage new partnerships for mixed housing development and redevelopment have also been central to rhetoric around diversification and provision of 'choice' in the social housing sector.

In 2008 the Rudd government initiated a scheme to provide financial incentives for private sector investment in affordable housing development. The NRAS was intended to support the construction of 50,000 dwellings, with up to 35,000 new homes anticipated by 2014–15. However, the program proved more popular than anticipated and by 2012, support for 40,000 new dwellings had already been allocated. However, these allocations were time limited and expired if the housing was not completed within a specified timeframe. Investors were required to offer the housing to eligible low and moderate income households at 20 percent below market rents, with tax incentives offered in return over a 10-year period. Although such incentive programs may improve overall supply of affordable homes, long-term outcomes are uncertain, particularly as schemes end and investors seek to sell or reposition these homes (Gilmour & Milligan 2008). It has also been argued that the NRAS could have better supported not-for-profit developers, for instance, by dedicating some incentives specifically for non-profit providers, and by connecting the scheme more explicitly with other public funding and policy levers, such as access to developable land (Milligan, Gurran, Lawson, Phibbs & Phillips et al. 2009). At any rate, the NRAS did not survive the change of government in 2013. It was defunded in the Abbott Coalition government's first budget of May 2014 (DSS 2014).

### *Social housing for nation building*

Economic stimulus has also come in the form of government support for the private housing construction sector. In the wake of the GFC, Australia's social and affordable housing supply was boosted by the Rudd government's Nation Building – Economic Stimulus Plan which included funding of $5.238 billion for more than 19,000 new social housing units (2008–09 to 2011–12) (Australian Government 2010). To ensure rapid delivery to achieve the objective of economic stimulus through the construction sector, special purpose legislation to fast-track projects and bypass local planning laws was introduced. By June 2011 over 15,000 new social housing projects had been completed, with an additional 5,000 underway (Commonwealth Coordinator-General 2011, p. 5).

### *The Housing Affordability Fund*

The Rudd government's Housing Affordability Fund (HAF) was another program designed to lift the supply of new homes. Around $450 million was allocated to be spent over five years from 2008, for projects intended to lower the costs of building new homes and result in additional new supply (Australian Government 2008). A total of 75 projects were funded, 23 of which emphasise planning system reform (largely in relation to electronic development assessment) and the remaining a combination of studies and preparatory work intended to reduce developer holding costs, by lowering costs of providing basic infrastructure like water, sewerage, transport or open space. While this subsidy for both the social housing sector and wider housing markets may appear to be a new level of government intervention, Clapham and colleagues argue that such subsidies indicate 'that government eagerness to widen and extend the market can overrule the ultimate "ideal" of non-intervention in the market itself' (1990, pp. 27–28). Subsidies such as the Nation Building stimulus and HAF can be understood as essential to retain a functioning market – in terms of construction employment of private housing supply – in conditions where it may not otherwise be able to operate.

## Planning for affordable housing – can the private housing market deliver?

The land use planning system regulates processes of urban development and change by allocating land for particular purposes, stipulating controls on the scale, form and density of development, and coordinating the provision of wider infrastructure and services. In mixed market economies, government intervention in private development through planning is tolerated because it promotes certainty for investors and property owners. From a social welfare perspective, planning regulation minimises negative 'spillover' impacts arising from private development and promotes wider social fairness in processes of urban and regional change. In many jurisdictions throughout the world, these wider societal objectives have extended to the provision of affordable housing for low and moderate income groups (Calavita & Mallach 2010; Whitehead 2007).

While most of the other key international housing system trends under the wider influence of NPM and in particular 'marketisation' (such as stock transfer, estate redevelopment and social mix) have been embraced in some form by Australia's SHAs, there has been much greater ambivalence about using the planning system to secure affordable homes (Beer, Kearins & Pieters 2007). This is in marked contrast to nations such as the United Kingdom, where affordable housing has long been a material planning consideration and where the majority of social housing is now delivered on sites secured through the planning process; and the United States, where most major metropolitan areas and many hundreds of regional cities and towns have introduced legal mechanisms to secure opportunities for affordable housing development or to directly generate new affordable housing supply (Calavita & Mallach 2010; Gurran et al. 2008).

### *The housing industry*

Australia's influential private housing industry may in part explain the reluctance to enable local authorities to mandate affordable housing in new developments. An important sector within Australia's overarching housing system, private housing developers largely kept pace with demand by delivering a steady supply of new homes up until the turn of the millennium (Austin, Gurran & Whitehead 2010). However, this housing was largely delivered in new suburban 'Greenfield' developments which formed the dominant pattern of Australia's urban growth until at least the early 1990s and in many cities so continues. Since the early 1990s there has been a shifting emphasis in urban policy towards containing new growth within existing areas through urban renewal and redevelopment strategies but this has proved a challenging adjustment for the housing industry (NHSC 2010).

The sector has been vocal in criticising the planning system, particularly in relation to land release/urban containment policies, regulatory burden and delay, as well as costs associated with infrastructure provision (Productivity Commission 2011; RDC 2007). These lobbying efforts have been extremely effective over the past decade, influencing the evolution of an ongoing program of planning system reform characterised by an emphasis on 'red tape' reduction; lower fees and charges for infrastructure; and faster planning approvals (for example, Department of Sustainability and Environment 2006; Government of Western Australia 2009; also see Ruming, Gurran & Randolph 2011). However, the reform agenda has rarely included explicit interventions for affordable housing inclusion in new developments. Instead it has emphasised wider deregulation and efficiency which, by implication, will result in a more responsive housing market delivering overall housing affordability (COAG Reform Council 2010).

Nevertheless, several jurisdictions have also experimented with the use of planning mechanisms for affordable housing. Until 2005, these experiments were for the most part a series of bespoke pilot projects driven by dedicated local councils in Victoria and NSW (Gurran 2003). The earliest examples arose in the late 1980s with the establishment of the Port Phillip Housing Company within the former City of St Kilda Council in Victoria. Using a combination of early Commonwealth funding to establish local community housing providers (known as the Community Housing Initiatives Program), as well as concessions and bonuses secured through the planning process, the Port Phillip Housing Association had steadily grown to a portfolio of over 600 dwellings by 2011. However, other attempts to use the planning system for affordable housing in Victoria have been less successful.

In NSW, the nation's first 'inclusionary zoning' scheme (where developments within designated areas must deliver a proportion of development value for affordable housing) was established in 1994 in the urban renewal precinct of Pyrmont and Ultimo. Over time, the special purpose City West Housing Company, established through Commonwealth and state funding to demonstrate a delivery model for affordable housing in renewal contexts, has yielded over 500 housing units through a combination of initial government funding and an ongoing revenue stream through developer contributions and rental income (Milligan et al. 2009). A series of other niche schemes emerged in NSW over the past decade, although overall these have failed to achieve significant momentum or scale.

In contrast to this strictly voluntary approach, the South Australian government has gradually introduced mandatory affordable housing requirements for all new residential areas. The requirement follows the articulation in 2005 of a state affordable housing target to ensure that

15 percent of all new housing is affordable to low and moderate income earners. Over time the implementation mechanisms to support this target have been introduced through successive amendments to state and local planning laws. While initially applied only on government land, the model has steadily gained traction in conjunction with the other Commonwealth subsidies for affordable housing development, such as the National Rental Affordability Scheme and the Housing Affordability Fund. By 2011, over 600 affordable dwellings had been delivered under the model across metropolitan Adelaide, through a combination of affordable rental and home purchase schemes (Davison et al. 2012).

## Back to the market?

Housing assistance is, according to Clapham and colleagues, the form of social welfare that lends itself most readily to market provision, given the reliance on the private sector for house building, even for public sector housing, and the nature of housing as a commodity (1990, p. 27). The initiatives described here under 'a new era of housing assistance' marked a temporary reinvigoration of housing assistance policy in Australia. However, this increase in policy 'activity' by government did not signal a retreat from the market towards direct government provision. Rather, these initiatives signified the evolution and maturation of NPM in housing policy. The shift away from public housing to a choice-based social housing sector was imbued with public choice school values, while funding initiatives that facilitate private investment in rental housing were designed to support the continued function of the market in an economic downturn and housing supply crisis, rather than substitute private sector activity. Planning system interventions are intended to improve market conditions by reducing regulatory 'red tape', relying on this as the primary mechanism through which the planning system could contribute to housing affordability by increasing the supply of private sector housing. Other interventions – such as voluntary and mandatory affordable housing requirements – have had limited application and have delivered only a small number of new dwellings. Moreover, Labor's measures of 2007–13 were shortlived; some by design, others by retrenchment by the Coalition government after its election in 2013. The National Housing Supply Council, which the Rudd government had established in 2008 to provide national projections of housing supply and demand, was abolished in November 2013 (Treasury 2013), and, as noted above, the National Rental Affordability Scheme was shelved in May 2014. Meanwhile, as the government has disengaged from housing policy at the federal level, private market pressures have continued unabated. House prices rose on average 10 percent in the capital cities in the year to March 2014 (ABS 2014). The private rental market is also tight, with vacancy rates between 2 and 3 percent in all capital cities except Canberra, and rents increasing in the year to June 2013 (SCRGSP 2014: Table GA.10 and GA.11). The withdrawal of government engagement is therefore leaving housing provision up to a private market that is not delivering for lower income households.

The origins of marketisation are not found solely in the NPM project from the 1980s. Rather, they represent the entrenched tradition of Australian government intervention in housing markets for the purpose of supporting the private housing construction sector and the goal of owner occupation. In contrast to the postwar government commitment towards universal access to appropriate and affordable housing, the role of social housing within contemporary Australian housing assistance policy has shifted. Rather than a reward for deserving families unable to afford home ownership, or even a tool to alleviate poverty, social housing is now a tenure of last resort. Households excluded from home ownership miss out on the significant levels of government subsidy it attracts, including first home owner grants and capital gains tax exemptions, along with negative gearing for landlords. While the policy mechanisms have been dramatically transformed since Federation in 1901, subsidisation and government support for the smooth operation of the private market to deliver housing and support home ownership has remained a constant. As such, housing assistance in Australia has always been marketised.

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