

# What influences the outcomes of affordable housing projects?

THE MAIN CHALLENGE FACING AFFORDABLE HOUSING DEVELOPERS IN THE NOT-FOR-PROFIT SECTOR IS THE MANAGEMENT OF TRADE-OFFS BETWEEN SOCIAL OUTCOMES, ENVIRONMENTAL SUSTAINABILITY AND FINANCIAL VIABILITY. THIS STUDY EXAMINED HOW AFFORDABLE HOUSING PROJECTS ARE PLANNED, DESIGNED, FINANCED AND MANAGED OVER THE LONG-TERM.

## KEY POINTS

- Not-for-profit (NFP) housing providers face the challenge of meeting a broad range of social, environmental and financial objectives in developing affordable housing projects.
- Successful features of affordable housing projects examined in this study include: affordable and secure tenancies for a mix of low and moderate income households; high amenity locations; well designed and comfortable homes and buildings; and incorporation of active energy efficiency features that result in reduced energy bills for residents and improved environmental sustainability.
- Areas for potential improvement found in several projects include: inclusion of passive energy efficient design; insufficient parking space; and greater involvement of tenants in project design and management.
- There is a need for education and continuing professional development in the emerging affordable housing industry to focus on development and design of affordable housing as a specialist area. Education is required specifically in the use of passive design and environmentally sustainable, low-maintenance design methods.

*This bulletin is based on research conducted by Dr Ilan Wiesel, Dr Gethin Davison, Associate Professor Vivienne Milligan, Professor Peter Phibbs and Professor Bruce Judd at the AHURI UNSW-UWS Research Centre. The research examined the trade-offs made by contemporary Australian affordable housing providers in order to achieve viable, sustainable projects and deliver the best outcomes for tenants.*

## CONTEXT

Governments across Australia are increasingly turning to NFP housing providers to help address shortages in housing that is affordable to low and moderate income households. New affordable housing projects developed or procured by not-for-profit organisations have appeared in various forms in many locations across Australia. Previous AHURI research has examined some of the challenges faced by not-for-profit organisations involved in this rapidly emerging industry. The focus in this study is on delivery, using a sample of eight affordable housing projects.

The study aims to deepen understanding among policy-makers and practitioners of the design and development trade-offs that impact on affordable housing projects in Australia. Greater awareness and better management of these trade-offs could deliver better affordable housing more efficiently.

## RESEARCH METHOD

Eight affordable housing projects were selected across New South Wales, Victoria and Queensland to represent a cross-section of the diversity within NFP delivery. Differences within case studies included:

- scale of provider
- location
- funding models
- types of dwellings
- architectural design
- procurement methods.

Each case study involved interviews, site visits, a review of architectural forms, document analysis, a resident focus group, and tenant surveys.

Selected projects were first tenanted between 2007 and 2009, and as such represent some of the earliest affordable housing projects that have been developed by NFPs in Australia.

## KEY FINDINGS

### ***Diversity and flexibility in approach to affordable housing development***

The NFP sector is diverse and the range of skills, experience and priorities found in community-based organisations results in varied approaches to housing development that are distinct from both private and public sector forms of provision.

Not-for-profit developers have undertaken a variety of projects from large-scale and innovative projects involving mixed tenure to smaller-scale projects targeting specific tenant groups, such as older people.

Not-for-profit providers participating in the study demonstrated flexibility in response to a variety of challenges associated with affordable housing development, including limited public funding, competition with private developers for well-located sites, and planning barriers resulting from regulatory and policy mechanisms as well as community opposition.

### ***Planning affordable housing***

Location is a major factor influencing the environmental, social and financial outcomes of affordable housing projects. A well-located site gives tenants access to public transport, services and facilities. This is especially important for residents with limited mobility or resources. Sites in such locations may initially be more expensive, but are often suitable for higher density development whereby costs can be offset. The location of a site can also have considerable influence on environmental outcomes, as in the case of buildings positioned to maximise passive heating, cooling, ventilation and natural light (preferable to active systems as they use no energy and typically require less maintenance).

Several projects faced planning approval delays or community resistance to construction, which can affect the financial viability of affordable housing developments. These obstacles could be overcome through the development of more

explicit affordable housing planning policies, and NFP providers seeking early engagement of local communities and specialist planning advice.

Other interventions that can enhance affordable housing supply include:

- Government allocation or donation of land parcels to NFPs for affordable housing developments.
- Offering planning incentives for affordable housing.
- Use of rolling loan funds to facilitate access to well located land.

### ***Designing affordable housing***

All case study projects were integrated into local streetscapes (in terms of size and aesthetics) using innovative architecture and design, intended to reduce stigma within the community. For the most part, case study projects were of equal or superior design quality to surrounding privately-owned homes, with many tenants surveyed expressing a sense of pride in the developments.

There was a trend among the case studies towards providing smaller dwellings to meet the needs of some priority groups (e.g. single person households).

Smaller units allow providers to accommodate more households thus returning higher revenue from rents, at the expense of housing larger families. Modified dwellings suitable for people with disabilities were not widespread, suggesting that additional incentives may be required in the industry to increase production of affordable housing for people with disabilities.

Several projects incorporated energy efficient design features, but opportunities for passive heating and cooling through the positioning of building, and ventilation and light access through design were not always taken-up by NFP developers.

Communal spaces (offered in four of the eight projects) provided social benefits for residents. Good practice among the case studies included maintaining attractive spaces and the use of events/

activities to engage residents. Some providers said maintenance expenditure prevented inclusion of communal spaces in project plans, but many tenants said that they valued such areas that brought them together.

For the most part, residents included in the case studies reported positive experiences, saying NFP providers supplied high-quality housing in good locations with secure occupancy. However, they also reported frustration at the lack of car parking spaces in many developments, which is usually a trade-off to maximise the number of dwellings on offer.

### ***Financing affordable housing***

All case study projects were financially viable with some producing surpluses to be invested in future growth.

Among the case studies there were two main approaches to delivering affordable outcomes. Providers either produced very small dwellings, or constructed low density forms such as detached dwellings or villas which are cheaper to build than high density structures.

Non-government sources of finance were used in most projects, though to a varying extent. Introduction of debt financing into projects requires balancing affordability outcomes for tenants and financial viability. In some projects this trade off was resolved through having a mix of tenants at different income levels. In others, private financing was kept at a low level, allowing more placements for lower income households.

### ***Asset management in affordable housing***

Effective management of building assets is important in ensuring lasting community benefits from NFP affordable housing projects. Most projects studied had asset management strategies that dedicate funds to cover expenditure on future maintenance. One case study had a well-developed life-cycle asset management plan effective over 40 years.

Design strategies used to minimise maintenance costs include:

- Minimising external wall and roof surface area with floor plans that reduce painting and other maintenance costs.
- Using low maintenance materials, such as concrete and stainless steel despite initially higher costs.

The value of such upfront investment depends on whether providers plan to sell or retain properties over the long-term.

## POLICY IMPLICATIONS

### **Planning and land supply**

- Positive outcomes for tenants depend to a large extent on good access to transport, services and amenities. Land release and dedicated land supply strategies for affordable housing should be implemented with this in mind.
- Minimising uncertainty within the approval process is critical to the success of affordable housing schemes. Supportive strategies may include zoning areas for affordable housing sites, streamlining planning approval or relaxing regulations or development fees.

### **Designing**

- The capacity of the NFP sector to design and develop environmentally sustainable affordable housing could be enhanced with giving this issue increased focus in design and planning education and professional development courses.
- Ensuring long-term benefits relies on providers developing housing that is cost-effective to maintain over time using low maintenance materials and passive design features.

### **Financing**

- Relatively low levels of private financing in the case study projects, and the affordability trade-offs associated with higher levels of private finance, reflect the need for a national policy framework to support cost-effective private investment in affordable housing.

## FURTHER INFORMATION

This bulletin is based on AHURI project 70617, *How sustainable are Australia's contemporary affordable housing projects?*

Reports from this project can be found on the AHURI website: [www.ahuri.edu.au](http://www.ahuri.edu.au) or by contacting AHURI Limited on +61 3 9660 2300.

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