

# ECONOMIC VIABILITY OF AFFORDABLE HOUSING DEVELOPMENT IN SEQ

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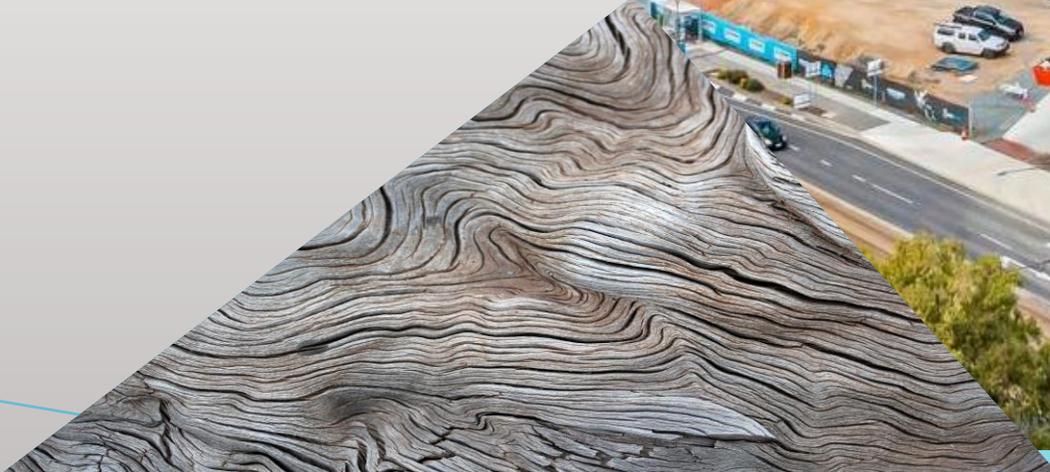




# INTRODUCTION

- Affordable housing is a 'wicked planning problem' with multifaceted challenges.
- Median house price in Brisbane up to \$750,000 in 2023
- Complex issues involved include economics, social equity, land use, and policy.
- Economic viability of affordable housing in South East Queensland is crucial for ShapingSEQ 2023 goals to allocate 20% of new homes to social and affordable housing.
- Inclusionary planning principles focus on accessibility and proximity to amenities, education, employment, and public transport.
- Market dynamics, affordability gaps, and incentive misalignment are challenges.

# AFFORDABLE HOUSING CHALLENGES



# AFFORDABLE HOUSING CHALLENGES

## MARKET DYNAMICS

- Real estate market subject to fluctuations in property values, interest rates, and economic conditions.
- Uncertainty and potential reluctance to engage in affordable housing projects as a result.
- Strategies to address this challenge could include:
  - Provide market stability through long-term commitments.
  - Offer financial incentives to reduce risks associated with market volatility.

## AFFORDABILITY GAP

- Disparity exists between construction costs for affordable housing and what residents can afford in rent or purchase.
- Developers are discouraged from affordable housing projects due to concerns about profitability.
- Affordability gap hinders project feasibility.
- Solutions like subsidies, grants, and tax incentives can bridge the affordability gap.

# AFFORDABLE HOUSING CHALLENGES

## INCENTIVE MISALIGNMENT

- Developers often prioritize market-rate housing due to higher financial returns.
- Affordable housing may not be financially attractive to developers.
- Governments can address this issue by offering incentives to developers.
- Incentives can include density bonuses, reduced development fees, and streamlined permitting processes.

## ESCALATING LAND PRICES

- High land prices in desirable urban areas pose a significant obstacle to affordable housing development.
- One solution is for municipalities to engage in land banking, where they acquire land for affordable housing in advance.
- The acquired land can then be leased or sold to developers at a reduced cost, making affordable housing projects more economically feasible.
- Zoning regulations can be modified to promote the utilization of smaller and more affordable land parcels, further aiding affordable housing initiatives.

# AFFORDABLE HOUSING CHALLENGES

## HIGH CONSTRUCTION COSTS

- Rising construction costs due to factors like material prices and labour shortages
- Financial challenges for affordable housing development
- Government solutions: grants and subsidies to offset construction expenses
- Promoting modular and sustainable building practices to reduce long-term costs

## COMPLEX ZONING REGULATIONS

- Navigating zoning and land-use regulations can cause project delays and higher administrative costs.
- Simplifying the approval process for affordable housing is required.
- This can be done through standardizing zoning codes or forming task forces for faster reviews.
- Clear and predictable regulations can attract more developers to affordable housing projects.

# OPPORTUNITIES



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## COLLABORATIVE PARTNERSHIPS

- Public-private partnerships (PPPs) involve collaboration between the public and private sectors.
- Goals of PPPs include pooling resources, sharing risks, and leveraging each sector's strengths.
- PPPs can lead to the creation of economically viable affordable housing projects.
- Local governments can encourage private developers to participate in PPPs by offering incentives, such as expedited permitting and reduced fees.





# OPPORTUNITIES

## FLEXIBLE POLICIES

- Flexibility in zoning and land use regulations
- Can expedite the development process
- Introduce expedited approval pathways for affordable housing projects
- Allow for mixed-use zoning
- Reduce costs
- Streamline development



# OPPORTUNITIES

## DENSITY BONUSES

- Developers can receive extra density allowances.
- This is in return for including affordable housing units in their projects.
- It encourages developers to incorporate affordable units.

# OPPORTUNITIES

## INNOVATIVE FINANCING

- Innovative financing options can enhance the economic appeal of affordable housing for developers.
- These options include tax incentives, low-interest loans, and subsidies.
- Tax credits for affordable housing investments and housing trust funds can reduce the financial challenges faced by developers.



# OPPORTUNITIES

## LAND USE MIX / MIXED - USE

- Mixed-use developments optimise land utilisation and lower project costs.
- Combining residential units with commercial or retail spaces enhances the appeal of affordable housing projects.
- Attractiveness to developers is improved when different uses are combined in a single project.



# OPPORTUNITIES

## TRANSIT-ORIENTED DEVELOPMENT

- Promoting transit-oriented development (TOD) around public transportation hubs
- Benefits: Reduced infrastructure costs, increased accessibility to affordable housing
- Attracts developers to invest in projects near transit options
- Enhances the appeal of developments to potential residents



# OPPORTUNITIES

## UNDERUTILISED SPACES

- Identifying and repurposing underutilized urban spaces (e.g., vacant lots, underdeveloped parcels) can lead to affordable housing.
- This approach can reduce land acquisition costs for affordable housing projects.
- Municipalities can play a role by offering incentives or zoning adjustments to promote such redevelopment.





# OPPORTUNITIES

## COMMUNITY LAND TRUSTS

- Community land trusts help communities secure land for affordable housing.
- They separate the cost of land from development costs.
- This separation reduces costs for developers, making housing more affordable.

# OPPORTUNITIES

## AFFORDABLE HOUSING INCENTIVE ZONES

- Gentle Density
- Designate specific zones in South East Queensland as affordable housing incentive zones.
- Simplify the development process for affordable housing projects in these designated zones.
- Offer streamlined permitting processes to expedite development.
- Reduce fees associated with affordable housing projects in these zones.
- Provide additional incentives to attract developers to invest in affordable housing initiatives.





# IMPLEMENTATION STRATEGIES – INCLUSIONARY ZONING

- Robust Monitoring
- Stakeholder Engagement
- Anti-gaming Provisions
- Research and Data
- Community Benefits Agreements (CBAs)
- Equity and Inclusion Measures





# SUMMARY

- Challenges and opportunities in achieving economic viability in affordable housing development in South East Queensland.
- Strategies to enhance inclusionary zoning: density bonuses, mixed land use, transit-oriented development.
- Repurposing underutilized spaces, community land trusts, and affordable housing incentive zones as resource-unlocking methods.
- Emphasising rigorous monitoring, stakeholder engagement, and anti-gaming measures for transparency and long-term success.

**THANK YOU**

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