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EQUITABLE DENSITY

The place for lower income and
disadvantaged households in a dense city

Report 2
The Neighbourhood Scale

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Equitable Density: The place for lower income and disadvantaged households in a dense city: Report 2, The Neighbourhood Scale

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INTRODUCTION

Higher density multi-unit residential developments, such as townhouses and apartment buildings (henceforth '**higher density housing**'), have become an increasingly common feature of Australian cities. Across the country, 2016 marked the first time when construction began on more higher density housing than detached houses. New South Wales (NSW) already passed this milestone some years ago,¹ and over a quarter of Sydneysiders now live in higher density housing.²

In the light of this shift, Shelter NSW engaged the City Futures Research Centre to identify the major challenges confronting lower income and vulnerable residents in higher density housing. Shelter NSW is concerned to explore and highlight how contemporary urbanisation processes disproportionately affect more vulnerable social groups. These reports provide a summary of the research evidence currently available to answer these questions, as well as an indication of the gaps in evidence.

The trend towards higher density housing can bring both benefits and challenges, which are quite different to those associated with lower density, suburban development. These differences are apparent at various scales. In higher density buildings ('**the building scale**'), factors like proximity between residents, and the need to share responsibility for building upkeep, create a different living experience to that of detached housing. In areas with growing quantities of higher density housing ('**the neighbourhood scale**'), this densification can strain local services and reshape the area's socio-economic mix. And in cities that have embraced the 'compact city' model ('**the metropolitan scale**'), this policy objective puts pressure on governments to coordinate infrastructure planning and delivery, and to manage the social, economic and environmental effects of changing population patterns and urban form.

Many of these issues impact residents across the income spectrum, but different socio-economic groups have different resources available to respond to these pressures. Because lower income and vulnerable residents generally have less choice and less influence than other socio-economic groups, they are disproportionately affected by the challenges of higher density living. However, much of the research evidence currently available on the challenges of higher density housing does not explicitly consider the impact on lower

income and vulnerable residents. Similarly, Australian governments have not adequately acknowledged and addressed the impact of higher density housing on lower income and vulnerable residents. For this reason, these reports focus on issues with higher density living that are specific to, or exacerbated for, lower income and vulnerable households. Where necessary, we have extrapolated from the more general research evidence to consider the impacts for lower income and vulnerable residents in particular.

In preparing these reports, we have kept our definition of 'lower income' and 'vulnerable' as open as possible. However, as a rule of thumb we consider the following definitions to be useful:

- **'lower income households'** refers to households in the bottom two income quartiles (earning less than \$649 per week in NSW); and
- **'vulnerable households'** refers to households experiencing various forms of socio-economic disadvantage (such as low education, high unemployment, low-skilled occupations, poor English proficiency and single parent households)³, as well as people with physical or intellectual disabilities and victims of domestic violence.

To decide which issues should be covered in the reports, a workshop was held with key stakeholders from across the housing sector. This workshop identified the major issues facing lower income and vulnerable residents at the building, neighbourhood and metropolitan scales. These reports are written with these key issues in mind, while drawing upon the existing research evidence. While much of the report material focuses on the NSW policy context, many of the issues raised are equally relevant across Australia and around the world.

To begin, Report One on the building scale considered the most important issues in both individual dwellings (e.g. apartments) and higher density buildings as a whole, and how these can influence the quality of life of lower income and vulnerable residents. Next, this report focuses on the neighbourhood scale to explore the different issues faced by lower income and vulnerable households living in areas with significant higher density development.⁴ The report identifies two key issues that particularly affect lower income and vulnerable residents at this scale: the socio-economic mix of the neighbourhood (**'diversity'**), and the extent and nature of the services and infrastructure available in the neighbourhood (**'facilities'**). Finally, Report

Three will identify the metropolitan scale processes and policies associated with densification that have a disproportionate impact upon these groups.

Neighbourhood diversity can improve resident outcomes

KEY POINTS

The diversity of neighbourhoods can be reshaped both by government policy and by market forces.

*On balance, research suggests that living in a neighbourhood of **concentrated disadvantage** can contribute to detrimental outcomes for lower income and vulnerable residents.*

*While the underlying cause of negative **'neighbourhood effects'** associated with living in areas of concentrated disadvantage remain hotly debated, research suggests significant factors include neighbourhood location and access to jobs and services. This is concerning, as affordability pressures mean concentrations of disadvantage in Australian cities are now shifting to the outer suburbs, away from employment hubs and transport networks.*

*The socio-economic diversity of neighbourhoods can be increased through higher density urban renewal to develop **mixed-tenure** neighbourhoods with public, affordable and private housing. However, such developments do not automatically produce better outcomes for lower income and vulnerable residents; this depends on how they are developed. Key factors include tenure mix, building design, degree of integration and the provision of additional infrastructure and services.*

*At the same time, higher density urban renewal of public and private housing can contribute to the **gentrification** of desirable neighbourhoods, which undermines socio-economic diversity by displacing or excluding lower income and vulnerable residents. Without government intervention to ensure some new development is affordable, it cannot be assumed that increasing supply through densification will necessarily improve housing affordability for lower income residents. Additional strategies (such as inclusionary zoning) can help to retain socio-economic diversity in these neighbourhoods.*

Concentrations of disadvantage

There is extensive academic research on the issues caused by concentrations of disadvantage. Overall, this evidence suggests that such concentrations can contribute to detrimental outcomes for lower income and vulnerable residents in these neighbourhoods.⁵ The cause of the negative 'neighbourhood effects' has been variously attributed to the social/behavioural attributes of the relatively isolated low-income population,⁶ the inadequacies of services and amenities in those locations,⁷ or a second order effect of stigma associated with the locations,⁸ but these causes have long been (and remain) points of debate.⁹ Beyond the neighbourhood itself, there is also a growing body of evidence suggesting that concentrations of disadvantage are problematic at a broader scale, as they undermine the overall efficiency and equity of an urban area.¹⁰

The nature and causes of disadvantage in Australian cities differ from cities in the US and UK, which have been the focus of much of the academic literature on concentrations of disadvantage.¹¹ In particular, disadvantage in Australia has traditionally been more dispersed, dictated by housing tenure as much as neighbourhood location.¹² However, the increasing suburbanisation of disadvantage in Australian cities is now reinforcing locational disadvantage, as lower income residents are being forced to move further away from areas with good access to jobs, transport and services.¹³ Efforts to address disadvantage in Australia, including higher density mixed tenure redevelopment, must recognise these local dynamics.

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Mixed tenure renewal strategies

One argument for higher density urban renewal projects is that they provide an opportunity to create greater socio-economic diversity in areas of concentrated disadvantage by developing **mixed tenure** neighbourhoods which include public, affordable and private market housing.¹⁴ The creation of mixed tenure neighbourhoods is a key feature of the NSW Government's Communities Plus estate renewal program, which caps social housing at 30% of new housing development in renewed areas.¹⁵

The logic of using mixed tenure redevelopment to address concentrations of disadvantage is that many negative neighbourhood effects arise only once a certain threshold of disadvantage is met. As such, tenure mixing—distributing lower income households

across an urban area—doesn't mean spreading negative effects to more neighbourhoods; rather, it can mitigate them.¹⁶ However, the research also shows that implementing mixed tenure policies will not necessarily facilitate meaningful social mixing;¹⁷ nor will it necessarily achieve positive outcomes for lower income residents. A recent review concluded that overall, an argument can be made for implementing mixed tenure policies, primarily on equity grounds.¹⁸ Nonetheless, the benefits of mixed tenure strategies depend significantly on how the neighbourhoods are designed, developed, and eventually managed. There are a number of relevant factors.

What types of tenures are included?

Are balanced proportions of private, affordable and public housing included in the development? It may be problematic if the amount of public housing is minimal, as research shows that feeling poor relative to one's neighbours can contribute to negative health outcomes.¹⁹ Workshop participants noted that in a disadvantaged area, residents may gain some comfort from feeling they are among neighbours who understand their life experience and face similar challenges. While the entire neighbourhood may attract stigma, this may be less isolating than being one of a few 'poor people' in a mixed tenure neighbourhood.

How granular is the tenure mix?

Does the development include different tenures on every floor; across separate floors; or in separate buildings in a complex or neighbourhood (see below)?²⁰

Each approach has benefits and disadvantages:

- **Unit-by-unit and in-building clustering:** The key benefit of this approach (also known as 'pepper-potting'), is that high levels of integration create 'tenure blindness'.²¹ This means it is hard to distinguish which apartments are affordable or public housing, and which are private, thus minimising stigma and differential treatment. This is also the likely outcome for broader clustering within a building. On the other hand, pepper-potting can make tenant management and service provision more fragmented and less efficient.²²
- **Building-by-building:** This offers more streamlined building management processes (e.g. strata for

private units and community housing management for affordable units). It can still offer many of the purported benefits of mixed communities,²³ so long as tenure blindness prevails. This means all buildings must be designed, built and maintained to similar standards.

- **Block-by-block:** Disadvantaged households may still benefit if the tenure mix makes it economically feasible to develop in locations closer to transport, jobs markets and other services than the places they could otherwise afford. Lower levels of community integration are likely,²⁴ however, and there is a risk of community conflict and ongoing stigma, if not neighbourhood effects themselves.²⁵ This will be exacerbated if private developments

have better design and construction standards, or private 'community' facilities (e.g. pool, tennis court) that distinguish them from the public or affordable housing, and undermine the benefits of tenure blindness.

Some mixed tenure developers do recognise these issues, and ensure that public, affordable and private housing have equal facilities. Rather than leaving it to individual developers, however, government support for mixed tenure development should be predicated on achieving tenure blindness. Case studies suggest that residents give little thought (either positive or negative) to their neighbours in mixed tenure developments if they are designed to ensure tenure blindness.²⁶

OPTIONS FOR TENURE MIX

	Unit by unit <i>Each tenure is distributed uniformly across an entire development</i> Also called 'salt and pepper' or 'pepper potting'
	In-building clustering <i>Each tenure is clustered in distinct parts of a building</i> A relevant distinction in the context of large apartment developments
	Building by building <i>Each tenure is provided in separate buildings, but distributed across a development</i> Potential to integrate design and construction
	Block by block <i>Each tenure is separated as much as possible within a development site</i> Still more integrated than fully segregated suburbs

Credit: Ryan van den Nouwelant

What programs and facilities are available to support mixing?

Research has shown that proximity alone does not necessarily result in meaningful social mixing.²⁷ In addition, the creation of mixed tenure communities does not negate the need for support programs for high needs residents in the area. Without such services, mixed tenure communities risk being isolating for lower income and vulnerable residents, who may be stigmatised and treated as behavioural management problems rather than people in need of specialised support. This can undermine attempts to develop a sense of shared community, and impede meaningful engagement between residents.

Gentrification

As well as mixed tenure policies in neighbourhoods undergoing higher density renewal, neighbourhood diversity can also be significantly affected by unregulated market pressures. As discussed in Report One, Australia has generally relied on private developers to deliver housing. This presents significant challenges for lower income residents, who by definition lack the resources to compete effectively for housing in a free market. It is also clear that housing is not a perfectly functioning market,²⁸ but is distorted in ways that pose additional challenges for residents with limited bargaining power. Some of these broader market issues are dealt with in Report Three. This section outlines how the market reshapes

CASE STUDY: RIVERWOOD NORTH

In workshop discussions about mixed tenure, participants identified the public housing estate renewal at Riverwood North, in Sydney's south west, as offering some instructive lessons on the experience of mixed tenure higher density developments for lower income and vulnerable residents. The Communities Plus mixed tenure policy has been partly inspired by the perceived success of the Riverwood renewal, and is now likely to shape urban areas across Sydney. On the positive side, participants identified the Riverwood community centre as a major factor in this success. The centre existed before the renewal, and was viewed as playing a significant role in supporting residents through the renewal process. This reaffirms the value of appropriate, targeted services for lower income and vulnerable residents, irrespective of the nature of the surrounding neighbourhood. On the downside, workshop participants noted reports from Riverwood residents experiencing negative stigma after the renewal, and problems with services. For example, while the local primary school was expected to benefit from an influx of well-off students (and assistance from their parents), student numbers ultimately declined, as new residents sent their children to private schools instead. The fact that the renewed estate at Riverwood North does not yet include any affordable housing may have contributed to these outcomes.

Riverwood North, with Riverwood Community Centre on left, and redeveloped buildings on right (Credit: Edgar Liu)



neighbourhood diversity through gentrification.

Despite being the focus of extensive study, gentrification remains a subject of much debate.²⁹ The term was originally coined to describe a process of urban change whereby housing market pressures result in the displacement of lower income residents from their neighbourhood, replaced by middle-class residents (i.e. the 'gentry').³⁰ Initially, the term referred to direct displacement caused by middle-class residents purchasing and renovating cheap housing in older urban areas, eventually making the area unaffordable for the original residents. Subsequently, however, the concept has been expanded to include a range of related processes, including renewal of public housing estates, and development of high-value new build housing in formerly industrial inner city areas.³¹ This reflects a recognition that displacement can also result from broader urban change processes, involving a flow of both people and money back into previously disadvantaged areas.³²

As well as displacement, the term gentrification is now used to describe exclusionary processes, whereby urban change makes lower income and vulnerable residents feel less welcome in their neighbourhood. This notion has also been labelled 'place-based gentrification' and 'symbolic gentrification'.³³ Acknowledging the breadth of the concept today, Atkinson and Bridge describe gentrification as 'a nexus within which tensions between the [desires of the] global middle-class...and an embedded urban poor are increasingly connected'.³⁴

So what does this mean in practice, and how is it linked to higher density living? While gentrification reshapes both higher and lower density areas, there are aspects of market-led higher density development processes that counteract the potential price-dampening effects of increased housing supply. The fact that urban densification is currently achieved largely through private housing development³⁵ drives gentrification in a number of ways.³⁶

- **In renewed public housing estates:** Renewal of public housing estates often involves the addition of private, market-rate housing, to make the project 'feasible' (profitable) for the developer. This feasibility imperative can mean renewed estates offer less public housing than before the renewal, resulting in displacement for some lower income residents. Furthermore, to make the renewed area appealing to private buyers, estate renewal may

also involve relocation of public services designed to cater specifically to lower income and vulnerable residents (e.g. community centres, Centrelink offices). Those residents who return may feel excluded from community spaces, and stigmatised as the 'poor' residents in the neighbourhood.

- **In higher density new-build developments on formerly industrial inner city 'brownfields':** Absent regulatory requirements that developers include some affordable housing, new higher density brownfield developments will often be designed for high end buyers, as these housing products offer developers the greatest returns. Such new housing does little to improve affordability for lower income and vulnerable residents. Research also indicates that renewal of industrial areas also plays into gentrification processes in surrounding residential areas. As well as physical displacement resulting from flow-on increases in house prices—the extent of which remains a point of debate³⁷—these infill developments also contribute to symbolic gentrification by changing the social and commercial nature of these neighbourhoods.³⁸
- **In renewal of existing higher density private market stock:** In NSW, new strata laws allow termination of a strata scheme if 75% of the owners agree.³⁹ Modelling has shown that in high-value areas, the likely outcome will be gentrification, with strata schemes of older, cheaper buildings terminated to allow redevelopment and resale at higher prices.⁴⁰ Lower income renters will likely be displaced by this process, and lower income owners may also struggle to buy a renewed apartment with the funds received for the old apartment. If this process occurs frequently, it will reduce an area's socio-economic diversity over time, leaving remaining lower income residents feeling increasingly excluded from the neighbourhood.

In these ways, higher density development and redevelopment in inner city areas is often a factor contributing to broader gentrification processes. This means that without government intervention to ensure some new development is affordable, it cannot be assumed that increasing supply through densification will necessarily improve housing affordability for lower income residents.

One option for government intervention to address these changes is a suite of policies collectively called 'inclusionary housing'.⁴¹ This involves councils either

incentivising or requiring developers to provide a certain percentage of affordable housing in new higher density development.⁴² Evidence shows that if well designed, inclusionary housing policies can be effective tools for increasing the supply of affordable housing, including in gentrifying areas.⁴³ Mandatory inclusionary zoning requirements have been widely used overseas,⁴⁴ but can only be enforced by a handful of local councils in Sydney.⁴⁵ Report Three outlines the policy failures that have prevented the broader adoption of mandatory inclusionary zoning across the Sydney metro region.

Better neighbourhood facilities can improve resident outcomes

KEY POINTS

*Different strategies are needed to ensure service and infrastructure provision can cope with changes in demand in higher density areas. The failure to adequately respond to the **increased demand** created by higher density development has been a weakness of Australian densification strategies.*

***Current funding models** in NSW create impediments to ensuring the provision of sufficient services and infrastructure in areas undergoing higher density redevelopment.*

*Higher density redevelopment can contribute to '**commercial gentrification**'. As commercial rents in redeveloped areas increase, budget shops and free or affordable services are replaced by new, costlier alternatives. This forces lower income and vulnerable residents living in redeveloped areas to travel further to access suitable stores and services.*

*Public space in redeveloped areas may also be replaced by **privatised spaces** like restaurants and shopping centres, which can restrict access and may charge for use.*

Meeting the needs of higher density, and funding challenges

The failure to adequately respond to the increased demand on infrastructure and services created by higher density development has been a weakness

of Australian densification strategies to date.⁴⁶ While supporters of densification argue that it takes advantage of spare capacity in existing infrastructure,⁴⁷ in practice spare capacity may not always exist.⁴⁸ The issue is exacerbated if higher density developments house many lower income and vulnerable residents, as they are likely to rely more on public services and public space than wealthier residents.

Workshop participants noted that many services across Sydney are already under significant strain, and additional government investment is essential to support fast-growing populations in higher density developments. A similar issue exists with infrastructure. Recent research has highlighted issues with current approaches to infrastructure planning, which often require demand to be demonstrated before new infrastructure is approved.⁴⁹ The problem is that once construction commences, higher density development very quickly produces significant population growth. Waiting for demand to materialise (i.e. residents to move in) inevitably means a significant time-lag before infrastructure is planned, financed, approved, and built. This has been a problem even for essential infrastructure like schools.⁵⁰ Lower income and vulnerable residents are likely to be particularly hard hit by this time-lag, as they may be unable to afford alternative services in the interim (taxi rides, private child-care etc.) In some cases alternatives for the specific services vulnerable residents need may not exist; if not provided by the government, they simply won't be provided at all.

Even with appropriate planning, some essential services are also harder to provide in higher density settings. An example raised during the workshop was the provision of mental health services, where patients may cause disturbances for other residents living in close proximity. While thoughtful design responses like acoustic buffers and adaptations to public spaces may help, this will inevitably increase the cost of constructing facilities to house these services. Governments need to plan for higher density development with these additional costs in mind.

In NSW, while essential infrastructure like schools and public transport is generally the responsibility of state government and planned at a metropolitan level, responsibility for other neighbourhood infrastructure often falls to local councils. Various reviews have concluded that insufficient funding is available to local councils to meet these infrastructure needs.⁵¹ There



Public transport bridge from Wentworth Point to Rhodes, provided under a VPA (Credit: Laura Crommelin)

are two main contribution mechanisms available to councils to fund infrastructure and services associated with new development: developer contributions and levies, and Voluntary Planning Agreements (VPAs). Both contribution mechanisms are complex and controversial.⁵²

Developer contributions and levies are raised by councils as a condition of development, with developers dedicating land, paying an upfront contribution or ongoing levy, or providing other material public benefits to cover the cost of required improvements to associated infrastructure and services.⁵³ There are limitations on how funding collected under these provisions can be spent.⁵⁴

VPAs involve developers negotiating specific agreements to provide infrastructure or services,⁵⁵ and are generally linked to a decision to allow density increases in the development. VPAs have been used to provide valuable infrastructure, including public transport links, parks and libraries, but the process raises concerns. VPAs are negotiated on an ad hoc basis, often relatively late in the planning process, which can create uncertainty for communities already living in redevelopment areas.⁵⁶ The contracts can be highly complex and legalistic, and there are concerns about the degree of public transparency.⁵⁷ Achieving a positive outcome is also dependent on the negotiating capacity and resources of the local council.⁵⁸ As a result, this process may produce infrastructure that doesn't reflect the local

community's preferences or best interests.

Infrastructure developed under VPAs may also be used as a marketing tool by developers.⁵⁹ Developers may opt for projects that are a selling point for residents buying market-rate housing, rather than services and infrastructure designed to meet the specific needs of lower income and vulnerable residents. How likely is a developer to build a community centre or a public health clinic under a VPA, for example, rather than a park or a sports facility?

Given these issues, it is clear that current funding mechanisms pose challenges for local councils trying to provide the services and infrastructure higher density development requires, particularly for lower income and vulnerable residents. When combined with demand-driven planning, this can undermine the effectiveness of urban densification strategies.

— Public becomes private, and private becomes more exclusive

While concentrations of disadvantage are problematic, one mitigating factor is that they often attract specialist services and facilities catering to lower income and vulnerable residents. Riverwood's community centre is a good example of this—widely recognised as an effective community hub that helped to minimise some of the challenges facing local residents (see box above). Mixed tenure redevelopments

and gentrification can provide councils with more funding to support these local services, but there is also a risk in these neighbourhoods that private services may replace affordable specialist services. In addition, fee-for-service ‘third places’⁶⁰ like restaurants and shopping centres may be viewed as an acceptable alternative to free public spaces and facilities like community gardens.⁶¹ Private services and facilities are often not accessible for lower income and vulnerable residents, many of whom already go without essential services.⁶² Similarly, the exclusionary nature of privatised public space like shopping malls and privately-managed parks has been well documented.⁶³

While public space and facilities are essential, all residents also rely on a range of commercial services like supermarkets, pharmacies and newsagents. As redevelopment or gentrification brings wealthier residents to an area, there is a growing economic incentive for commercial services to upgrade, or be replaced by more expensive high end providers. For example, an existing store may be replaced by a boutique (a market fruit and vegetable stall replaced by an organic store, for example), while in other cases the upgrading process is subtler (a low-cost supermarket with a diverse product range replaced by one stocking only prestige items). This upgrading process—labelled ‘commercial gentrification’—has been documented in global cities like New York⁶⁴ and London⁶⁵, and is evident in inner-city areas of Sydney as well. These commercial changes contribute to symbolic gentrification,⁶⁶ and may eventually mean that lower income and vulnerable residents who have remained in these areas must leave the area to shop. While the extent of this process is hard to quantify, one recent US study found that while commercial turnover rates in gentrifying areas are not significantly greater than city-wide rates, there is a noticeable difference in the types of replacement stores in these areas.⁶⁷

CONCLUSION

As Australian cities continue to embrace densification policies, the implications of these changes must be understood and addressed for residents across the socio-economic spectrum. Examining the impact of densification at different scales provides a useful structure for identifying the complex issues this policy shift raises, particularly for lower income and vulnerable residents. These residents have less influence and control over how they manage the challenges higher density presents. For this reason, it is incumbent on governments to ensure densification policies are designed to ensure these residents are not disproportionately affected by the dramatic changes now reshaping our cities.

This report has outlined how, at the neighbourhood scale, diversity and facilities are particularly significant in shaping outcomes for lower income and vulnerable residents living in higher density, specifically:

- **Diverse neighbourhoods** can provide better living experiences for lower income and vulnerable residents than areas of concentrated disadvantage, and mixed tenure strategies are one way to encourage diversity in new higher density developments. However, not all mixed tenure developments will provide beneficial outcomes for lower income and vulnerable residents. Outcomes will depend on how the mixed tenure development is designed, and the facilities and support services provided. Poorly conceived mixed tenure redevelopments may expose lower income and vulnerable residents to increased stigma and exclusion, and reduce their access to necessary services. In areas becoming less diverse through gentrification, inclusionary housing strategies designed to provide affordable housing can be an effective strategy for retaining diversity by ensuring existing lower income residents can remain in the neighbourhood.
- **Good quality, affordable neighbourhood services and infrastructure** are particularly important for lower income and vulnerable residents, but are often under pressure in areas undergoing significant densification. Governments need to ensure that policies encouraging higher density development incorporate strategies and funding for services and infrastructure, and planning occurs to provide these services when residents first move in. Efforts are also required to ensure that public space and affordable commercial services are not replaced by expensive private alternatives in gentrifying areas, as this will further exacerbate the exclusion suffered by lower income and vulnerable residents.

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