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Public housing estate redevelopments in Australian inner cities and the role of social mix

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Abstract: From its commencement in 2002, the redevelopment of the Kensington public housing estate in inner Melbourne was seen as as “a test bed for future inner city housing management” (DHS, 2002). The ‘Kensington model’ involves a public-private finance mix in which the state demolishes old public housing, contracts a developer to design and construct new public housing, and sells part of the estate to the developer for private housing. It delivers a housing mix in which the public and private units are intended to be indistinguishable, and introduces social mix onto the estate. The Kensington model formed the basis of the redevelopment of the inner Melbourne Carlton estate in 2008, and is currently informing master planning processes for the nearby Fitzroy, Richmond and Prahran estates.

In 2011, researchers from the University of Melbourne were invited by the Victorian government to evaluate the Kensington model for its value for money for the taxpayer and advise on the merits of its application to other estates. They reported in mid-2012 that the model was not good value for money and advised that it should not be reproduced in the same arrangement. Instead they recommended a range of alternative financing arrangements including partnerships with not-for-profits and utilisation of a public land agency. More than a year later the report had not been released. This paper discusses the role of social mix in rationalising public-private financing arrangements, and reflects on the application of this model to other Australian inner city housing estates.

Introduction

The Victorian government, like all Australian state governments, has a problem of profoundly run-down public housing after decades of neglect. In a political economic climate in which public expenditure in the interests of the disadvantaged is minimised, governments all over the world are searching for alternatives to direct investment in public housing. The Victorian Department of Human Services (DHS) has for more than a decade pursued a model of mixed public and private financing in which the state moves tenants out of deteriorated public housing, demolishes that housing, contracts a developer to design and construct new public housing, sells part of the estate to the developer for the construction of private housing, and repopulates the estate in a mix of public and private housing.

Not only does this present a cost-efficient solution for the government, the rationale goes, but it delivers a housing mix in which the public and private units are indistinguishable, and introduces social mix onto the estate, de-concentrating poverty and reducing the effects of place-based disadvantage. The Kensington estate in Melbourne’s inner north-west was the first to undergo this treatment. Known in government circles as ‘The Kensington model’, it is now being reproduced on the Carlton estate and is informing the master planning processes for the nearby Fitzroy, Richmond and Prahran estates (figure 1).

The lack of evaluation of the Kensington model eventually prompted the north-west metropolitan region office of DHS, in which the Kensington, Carlton and Fitzroy estates lie, to devise a research project with the University of Melbourne to assess the model’s value for money and reflect on the merits of its application to other estates. Notwithstanding the collaborative intent of the research, DHS insisted on holding intellectual property on the findings, and the research team was required to sign an agreement protecting the ‘confidential information’ of DHS. DHS in turn was required to not refer to or reproduce any part of the findings and analysis without making the final report publicly available.

The work began in late 2011 and the research team reported in mid-2012 that the model was not good value for money and should not be reproduced in the same arrangement. Instead, it recommended a range of alternative financing arrangements including partnerships with not-for-profits and utilisation of a public land agency. In August 2013, DHS informed the University that the report would not be released.

This paper discusses key conclusions of the evaluation without revealing details that may cause ‘significant commercial disadvantage’ to DHS or its commercial partners. The local and national public

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policy relevance of the Kensington model evaluation, and the international research interest in public housing estate redevelopments and concepts of social mix in particular, are such that the broad analysis of the researchers should not be suppressed. After an outline of the redevelopment using information already in the public domain, the paper considers the persistence of the funding model and the concepts used to legitimise it.

The Kensington model

Planning for the Kensington redevelopment began under Premier Jeff Kennett in the late 1990s. The estate consisted of three 20-storey towers and 18 'walk-up' (four-storey) buildings on a 6.04 ha site. In 1998 the premier announced his intention to demolish one of the towers. Over 100 households were relocated and the tower was demolished in 1999. In the early 2000s, under Premier Steve Bracks, a tender brief was prepared for redevelopment of the entire estate in a mix of public and private housing. The tenants of the walk-ups were relocated and all the walk-ups were demolished. Two towers remained: these were to be refurbished in a separate arrangement.

A key component of the redevelopment model was to source private finance to upgrade the estate. It was the first of its kind in Victoria for its emphasis on public-private finance mix, housing mix and social mix in which:

- the state sells a proportion of public land for private housing and associated works, pays the private partner to build new public housing on retained public land, and enables the partner to make a return by selling the private units at market value;
- the new public and private housing is intended to be indistinguishable, and physically integrated with the surrounding neighbourhood;
- the resulting social mix is intended to reduce the place-based disadvantage that is assumed to occur on public housing estates, and socially integrate public housing tenants with residents of private housing on the estate and in the surrounding neighbourhood (Kensington Management Company, 2004; DHS, 2011).

The model also introduced a system of on-site place management to support the redeveloped estate. The place manager is responsible for on-site facilities management, owners corporation management, public tenancy management, community building and, during the development, marketing the private units for sale. The project began in 2002 and was completed in April 2012 (KPMG, 2012; Government of Victoria (2012)).

Of the 694 public units on the estate immediately prior to the redevelopment, 486 were demolished and replaced by 210 new public units. There was a reduction of five due to conversions after the development was complete, bringing the number of available new units to 205. The two remaining towers have 224 units which were partly refurbished and reconfigured through a separate upgrade program, resulting in a total of 429 public units at the conclusion of the redevelopment.

A total of 717 new dwellings were built: 205 public housing units and 512 private units. Of the private dwellings, 15 were sold to the not-for-profit place manager for community housing. The final dwelling profile on the estate is 497 private, 15 community housing and 429 public units (including the refurbished high-rise towers). This amounts to an increase of 247 units on the site overall, and a loss of 260 public units from the estate (plus another five through the conversions). This information is available from Urban Communities Ltd, the place manager.

A total of 435 households (comprising 1,038 people) were relocated from the estate to other public housing over the course of the redevelopment (Hulse et al, 2004). In evidence to a planning panel hearing for the redevelopment of the Carlton estate, DHS estimated that only 20 percent of the original residents would return on completion (Government of Victoria, 2007).

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All this information is publicly available and documented in Shaw (2012)¹. It is less well-known, although available through Land Victoria's titles office, that two-thirds of the estate (4.18 ha) was sold to the developer for the private housing component. The price the land was sold for, and the extent of the developer's return, are not publicly available. These details are in the evaluation report.

The redeveloped estate has extensive landscaping, new roads, pathways and infrastructure, and is reasonably well-integrated physically with the surrounding area. The objective of the housing mix has been achieved: public and private housing is indistinguishable, and there can be no question that the 205 households in the new public units are living in a greatly improved physical environment. The public and private dwellings on the estate are not socially integrated however, as they are located in different buildings (Government of Victoria, 2007). Notwithstanding early discussions of a 'salt and pepper' mix in which public and private units would be located side by side, the designated public and private buildings are themselves separated by careful landscaping (Government of Victoria, 2007).

There are few places and opportunities on the estate for public and private residents to mix. This poses something of a challenge to the social mix rationale. Poverty is de-concentrated, it is true, by virtue of the removal of one-third of the public units, but the reduction of place-based disadvantage is premised on the role model effects that are supposed to arise through social interaction. The next section of this paper engages with contemporary debates around social mix, before returning in the final section to a discussion of the funding model.

Social mix

The rationale behind the intent to introduce social mix onto public housing estates comes from the notion that living in concentrations of poverty compounds the experience of poverty – a concept known as 'negative neighbourhood effects' or place-based disadvantage. It is an idea that originated in the United States and was transposed to Australia via the United Kingdom, notwithstanding the very different evolution and composition of public housing estates in all these countries. The Blair government in the UK introduced social mix policies into its estate regeneration programs in the 1990s, and Australian governments in turn have adopted the thinking with little critical analysis.

Social mix principles are evident in housing estate redevelopments internationally and at the national and state levels in Australia, despite the growing literature that is at best ambivalent about the benefits of policies designed to achieve it (Bridge et al, 2012; Arthurson, 2012; Lees, 2008; Ruming et al, 2004). There is no clear evidence of place-based disadvantage on urban public housing estates in Australia. A body of work from the UK questions the very existence of negative neighbourhood effects (Slater, 2013; Manley et al, 2012). Manley et al show that there is "surprisingly little convincing evidence that living in deprived neighbourhoods really makes people poor(er)" or any more likely to be unemployed (2012, p.152). In a detailed examination of the methodologies of studies that claim that concentrations of poverty lead to negative outcomes for individuals, Manley et al reveal a striking absence of demonstrated causal relationships. They argue that data that shows that individuals in deprived neighbourhoods are more likely to be unemployed than individuals in non-deprived neighbourhoods does not mean that deprived neighbourhoods *cause* people to be unemployed. They observe that "it is more likely that unemployed people moved to deprived neighbourhoods because they could not afford to live elsewhere", through a process of 'self-selection', and that there is no evidence that they become poorer as a result (Manley et al, 2012, p.157).

The logic behind imposed social mix is therefore problematic. If policies that break up concentrations of poverty are to bring benefits to individuals, it must first be established that neighbourhood effects do in fact exert a downward pressure on residents. If they do not, and it is simply the case that people live in poor areas because they are poor, then "tenure mix policies will only replace the poor residents (social renters) by more affluent residents (homeowners). As a result, the neighbourhood might improve, but not the lives of the original residents" (Manley et al, 2012:153). Allen (2008) argues further that breaking up existing communities can harm those communities and their individual members. The economic, social

1 This book chapter was in press at the time the DHS-University collaboration began.

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and emotional impact of the loss of social networks and familiar services is well documented and understood (Fried, 1963; Marcuse, 1985; Fullilove, 2001; Davidson, 2008; 2009).

There are also questions over whether the role model effects attributed to higher-income, educated and employed owner occupiers are overestimated. At the least there is a rather patronising air to the presumption that higher-income people behave better than low-income people. With regard to tangible measures such as the employment and education levels of low-income people in mixed communities, Manley et al (2012) find conclusively that these are not higher than those of low-income people elsewhere. To the extent that other benefits may accrue from social interaction – in all directions – these interactions and connections require more than mere co-presence of different groups. The literature on social encounter has long made the point that social mix is not sufficient to create relationships or sustained interactions across difference: Amin (2002; 2006) for example argues that meaningful interaction occurs through purposeful gatherings in places that specifically enable those activities. Valentine (2008, pp.324-6) also emphasises co-operative projects, and warns that the “low-level sociability” that is represented in acts like commenting to the person sitting next to one in the train, or chatting to the person behind the counter in one’s favourite café, should not be overblown as examples of meaningful urban encounter. Social mix can create the conditions for social mixing – the question is, does it necessarily lead to anything more than the mere fact of the social mix? Butler and Robson (2003) observe what they call a form of tectonic social relations in gentrifying London, as different socio-economic groups slide past each other with little or no interaction.

These arguments raise important questions of who benefits from the redevelopment of public housing estates. If the object of introducing social mix onto an estate is to improve the employment and educational prospects of public tenants, a more effective route may be via investment in job creation and training programs. The Kensington redevelopment is a valuable case study that can monitor and address questions about social mix that are still under considerable debate in international policy and academic circles. Unfortunately, suppression of the research report means that the continuing program of breaking up concentrations of poverty on public housing estates in Victoria is based on presumptions rather than evidence.

It is very clear, however, that inner Melbourne’s estates are tiny islands of public housing in seas of private renters and home-owners. They are well-served by public transport, have non-segregated schools nearby, public pools, libraries, community health centres, senior citizens centres, religion-based services and ample opportunity for public tenants to mix with residents of private housing should they choose to do so. The focus on concentrations of poverty on the estates without broadening the scale to the neighbourhoods in which they are located is curious. If social mix is desirable, these neighbourhoods benefit from the presence of public housing in their midst. Reducing the number of public housing units on inner city estates actually decreases the social mix in these increasingly gentrified neighbourhoods.

Finally, it is not clear how building private housing on an estate – especially if in separate blocks – is any more beneficial to public tenants than the presence of private residents across the road from the estate. If this building of private housing results in a loss of public housing and/or open space, then it has obvious disadvantages.

The main advantage of estate redevelopments is the improved housing and surrounds. This does not rely on social mix: it relies on new housing being built and the surrounding environment being landscaped and maintained. The question, of course, is how to pay for it. The public-private financing model funds the upgrades to the estate through the sale of public land for the development of private housing. This is the reason for the housing mix. The resulting social mix on the estate is a consequence of this model, with little apparent benefit, and real harm done if there is a significant loss of public housing stock.

Reflections

The Kensington model is a little like keeping the front of the house warm by chopping up the back for firewood. It is unsustainable. At some point, further investment will be required in the recently-built public housing, and there will be no more land to sell to fund it. The diminishing stock of inner city public land is

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increasingly valuable, as open space or a place for more public or community housing and associated facilities.

It does not require revelation of the research findings or commercially confidential information to discuss the report's recommendations, and to consider the application of these recommendations to other Australian inner city housing estates. The researchers were concerned at the loss of public housing from the Kensington estate. They recommended that, if this funding model were to persist, the number of public and community housing units should be maintained or increased.

As the primary advantage of the redevelopment model is the finance it raises for the upgrades, it makes sense to strengthen this aspect. The research team concluded that if governments are to continue to fund public housing estate upgrades through asset sales, the most advantageous arrangement in terms of value for money for the taxpayer is for government to retain control of the process and profits. The returns from the sale of private housing would enable an increase in public housing.

It is a big 'if', certainly, but if land on public housing estates is considered sufficiently under-utilised that its development would be no loss, it could be developed in various combinations of public, community and private housing. Allowing that the private housing provides the revenue, the proportions should be varied on different estates according to specific context and expected returns. Permutations of public, private and not-for-profit partnerships should also be explored, structured in such a way that there is profit or revenue sharing. In the case of public and not-for-profit partners, the profit/revenue could be invested in further public and community housing.

There are now a number of not-for-profit housing associations with development capacity, in Melbourne, nationally and internationally. Public partnership with such an association would allow the state and/or the not-for-profit to reinvest the entire returns from sale of the private housing back into the estate, or into additional social housing elsewhere. Finally, the option of government as developer should not be neglected. Public land agencies have the capacity to contract out building and sales functions, maintaining control of the process, increasing public housing stock and enabling cost-neutral outcomes to the state.

All of these options should be open to public discussion, and the discussion should be on matters of substance. The rationale that public-private partnerships on inner city estate redevelopments have as their object the benefits of social mix to public tenants should be abandoned. This is not why such redevelopments are undertaken, and the benefits, according to the national and international literature, are insubstantial. The rationale that such redevelopments have as their object the introduction of a public-private housing mix has the logic the wrong way round. The reason for public-private financing models is to minimise the cost to the state. The resulting housing mix is a consequence of that decision.

This is a legitimate decision to make. There are powerful arguments for reducing government expenditure and direct investment in public housing. There are powerful arguments against. It is these that should constitute the topic of public conversation.

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Figure 1. Kensington estate location and other public housing estates in inner Melbourne

