

**MIXED TENURE HOUSING DEVELOPMENTS:  
SALT AND PEPPER VERSUS SILO DESIGN**

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**ABSTRACT**

**Purpose** – In the context of housing, mixed tenure attempts to bring together social groups in urban neighbourhoods to create a vibrant dynamic sustainable community. This paper focuses on residential development design in the context of housing tenure where owner-occupier (or owner-investor) and social housing have the same locality. Specifically it asks: should different housing tenures be combined in a residential developed (salt and pepper design) or in close vicinity in separated structures (silo design)?

**Design/methodology/approach** – This paper examines various factors to be considered with regards to the different mixed tenure designs. The research presents interviews with fourteen leading Melbourne property professionals (developers, consultants and financiers) to identify the different development design and tenure challenges. The semi-structured interviews were audio recorded, transcribed and coded through NVivo software to provide a platform to evaluate, interpret and explain the qualitative analysis.

**Findings** – The inclusion of mixed tenure accommodation in a property development provided different responses across the various stakeholders; where property managers embraced the Salt and Pepper concept, property developers and financiers were more reserved and focussed on the impact of disclosure and associated pricing issues. Many stakeholders highlighted that a Silo design provide a better solution for maintaining a building and controlling costs.

**Originality/value** – In developing this research area, information from leading property professionals can provide valuable information for policy decision making purposes. There is limited discussion within the Australian context which explores the two mixed tenure housing approaches and what the challenges and benefits are from the perspective of current building industry stakeholders.

**Social Implications** – With the evaluation of leading property professionals, this research identifies the challenges of different designs for mixed tenure. The research outcomes highlight property governance in many instances is a perception which when managed can impact on property values beyond the physical situation.

**Keywords:** Residential property design, Social affordable housing, Mixed tenure housing, Structured interviews

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**NOMINATED THEME: RESIDENTIAL PROPERTY**

# MIXED TENURE HOUSING DEVELOPMENTS: SALT AND PEPPER VERSUS SILO DESIGN

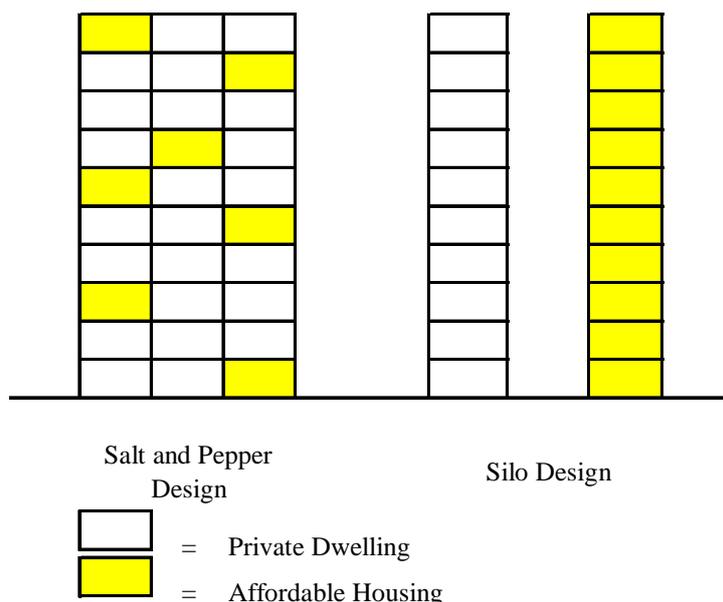
## INTRODUCTION

The mixture of social groups in urban neighbourhoods can create vibrant, dynamic and sustainable communities; whether the variance amongst people differ on the basis of their household type, income, tenure, age, education, ethnicity or gender. In combining socio-economic groups there is a requirement for mixed housing tenure where owner-occupied (or owner-investor) and social housing have the same locality.

The main mechanism for promoting the social mix in urban locations has been government policies that aim to create diversity in the social and economic profiles of residents. This offers the socioeconomic disadvantaged the opportunities to be close to job opportunities, key services (hospital and schools) and public transport. Furthermore, it allows individuals to reach their potential to make a positive contribution to society and to share the benefits of a strong vibrant, dynamic and sustainable community.

In creating mixed communities offering social and economic diversity, the challenge is to provide social harmony through an inclusive long term sustainable housing policy. Australian and overseas policy makers seem to struggle with the concept and design of private and social housing in the same location. Many see the social engineering of new mixed tenure residential developments still for consideration in urban communities (Jupp 1999, Kearns *et al* 2013).

An integrated housing development model to deliver private and social housing in a well-connected location can have a choice of two main residential development designs. Figure 1 details the two approaches to disperse affordable housing amongst private dwellings.



**Figure 1: Residential Developments and Mixed Tenure Housing**  
**Source: Author**

Figure 1 shows the different core design approaches. The salt and pepper design creates a residential property containing private and affordable dwellings mixed within the same building envelope. The building facilities are shared although property management features would require addition coverage as to provide services and amenities to affordable housing occupiers. The alternative is separating the dwellings into individual buildings being in close vicinity (or they can share a common wall), they operate separately although the observed features and identity may be identical. The standalone structure can provide improved functionality offering management efficiencies.

In order to investigate the concept of mixed tenure housing, the research presented in this paper specifically asks: should different housing tenures be combined in a residential developed (salt and pepper design) or in close vicinity in separated structures (silo design)? It does this by:

- i) reviewing literature on social housing, policies and strategies.
- ii) sourcing information from leading Melbourne property professionals as to their consideration of mixed tenure in residential property development design.

This information when combined provides the platform to demonstrate best practice and deliver important benchmark information for a range of property stakeholders, including prospective purchasers and policy makers.

The following section provides a literature review covering mixed tenure and social housing. A detailed methodology including selected residential property professionals including developers are then presented. Following this, the findings and the implications from interviews of property professionals are discussed. The last section provides the concluding comments.

## **LITERATURE REVIEW**

The literature review is in two parts. Initially information is presented about social housing, and secondly, mixed tenure strategies in urban locations.

### *Social Housing Policies and Concepts*

Social housing in mixed tenure housing developments are an accepted contemporary government policy in many Australian States and overseas locations (for example: UK and US). For the disadvantaged, an attractive urban location provides economic opportunities, infrastructure provisions and education and so facilitates social and economic benefits. The virtues of social mix are broadly embraced across the political spectrum as a policy tool for addressing localised disadvantage and attempts to lower the growing segregation between wealthy and poor (Livingston *et al* 2013).

Furthermore, many urban communities elevates tenure mix as the answer for a broad range of issues - social, environmental, economic, and so limiting the need to implement structural policies to address other influential factors for social (for example: crime), economic (for example: unemployment) and household stability (Sautkina *et al* 2012). This is not a new approach as Sarkissian (1976), highlighted proximity in space between low and high income citizens as an enduring ideal for social mix on the basis of improved social cohesion of the middle classes and lower income households.

Also, Ruming (2013) explained that social mix can reduce the possible stigma associated with social renters and being part of the wider society through the closeness of owner-occupiers who serve as role models for good citizenship. In addition overtime a new social mix can evolve, reflecting contemporary urban and social communities. This is evident in the renewed interest in social mix as an urban policy tool from the recent linking of neighbourhood regeneration and social inclusion of ethnic groups.

Contemporary debates about social mix appears to have moved on from social exclusion by breaking up of urban concentrations of disadvantaged to one of examining the opportunities. One rationale for this is that in a globalised, knowledge-based economy, the liveable city' holds increasing competitive currency and thus there are important gains to be made through city restructuring towards more inclusive neighbourhoods (Florida 2003, Ruming 2013).

### *Mixed Tenure Strategies and Benefits*

According to Kearns and Mason (2007) strategies to achieve tenure mix follow three common forms: dilution, diversity and dispersal:

- i) Dilution involves reducing the proportion of social housing in an area, usually by selling social housing dwellings to tenants or on the private market, or developing additional private market housing.
- ii) Diversity involves a commitment that new housing developments provide a proportion of social housing tenancies, usually through planning incentives or regulations.
- iii) Dispersal involves relocating disadvantaged social housing tenants to less deprived areas (e.g. Housing subsidy vouchers), such as in the highly publicised 'Moving to Opportunity' program in the US.

Source: Arthurson 2002, Kearns and Mason 2007

Social mix is assumed to provide extensive benefits: higher-income residents (and especially home-owners) that are employed and 'well' educated are deemed to act as role models of positive and 'appropriate' behaviour and moral responsibility to lower-income/social renters. Interrelated to this, social mix is claimed to improve social renters' access to social networks with the potential to facilitate employment and social engagement, thus promoting 'good' (bridging) social capital (Joseph and Chaskin 2010).

These claims both assume that tenure mix will increase daily social mixing/interactions and offer 'positive' peer influences effective in promoting behavioural and aspirational changes in social/low-income renters. This assumption presumes that tenure mix effects function through the skills and values of home-owners (middle-income residents), reflecting a discourse of social mix based on the normalisation of home-ownership which determines how social renters in mixed communities should act (McIntyre and McKee 2012).

Another benefit of decreasing the proportion of low-income earners or social renters in an area is decreased neighbourhood stigma and likewise improved neighbourhood reputation. Linked to this social mix is also claimed to improve residential stability by allowing residents to stay in place, for instance by buying their rental property (this also allows for the preservation of local social networks). This assumes that mixed communities can provide increased opportunities for disadvantaged residents through enabling improved access to services (health, education and other community services), on the grounds that in areas with high concentrations of disadvantage service provision is under-resourced relative to (high) levels of demand (Arthurson 2010).

Countering these substantive benefits, are criticisms from those who argue that social/tenure mix can have negative impacts. These criticisms largely relate to either displacement or gentrification effects. The temporary or permanent displacement of tenants out of their neighbourhood as a result of some tenure mix policies (Arthurson 2002).

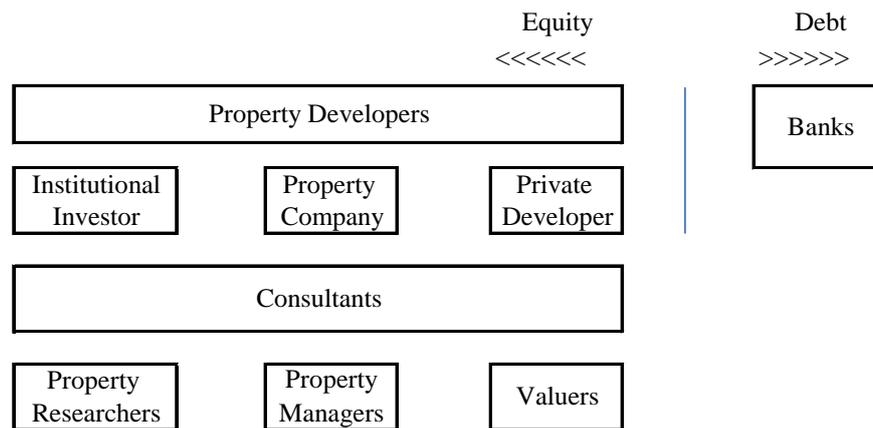
Despite the criticisms, social mix effects go largely unchallenged in policy circles and the mechanisms underpinning them remain poorly understood by policy-makers and academics (Arthurson 2010). For instance, there is a basic assumption that more interactions will automatically flow from housing dispersal strategies. Here there is nominal indication that these policy benefits are transferred to wider disadvantaged groups (Galster 2007, Kearns and Mason 2007). In addition, there is little research exploring the views of the building industry with relation to mixed tenure developments and the implication of this on the broader policy development. The next section turns to the problematic evidence-base for mixed tenure residential property developments.

## **METHODOLOGY**

Beyond data analysis, the evaluation of a building's performance can relate to stakeholders feedback for investigation and discussion. This research technique uses a qualitative assessment approach with semi-structured interviews. This method allows for a focus on a particular unit of analysis rather than the collection and analysis of data (Willig 2008, Yin 2009).

For this research, leading Melbourne property professionals were interviewed as part of an industry report to identify key elements of contemporary governance, design and construction. Selection of senior managers was achieved by the authors' connections across the property industry. For this research paper, the focus is on the mixed tenure component of the responses.

The interviewed participants provided coverage across the different phases of a property development, as shown in Figure 2.



**Figure 2: Interview Participant Property Coverage**  
**Source: Author**

Figure 2 shows key stakeholder groups involved in the development, construction and occupation of residential developments. Two stakeholders from each category were interviewed as part of this research, to ensure a range of opinions and experiences were included in the analysis. Property developers who are crucial to property developments proceeding were split into three groups as they operate in a completely different economic and financial environment. The 14 key building industry stakeholders were from Melbourne, and represented different professional sectors. Codes have been assigned to each interviewee (see appendix – Table 1) to ensure the responses were de-identified, providing anonymity for the participants. These codes are used to report interview responses.

The interviews were undertaken in May and June 2014, at the interviewee’s place of work, lasting between 30-60 minutes and covered governance and design, construction and building operation questions. The interviews were audio recorded and transcribed. The transcripts were thematically coded using the qualitative analysis software NVivo.

## RESULTS AND DISCUSSION

Whilst mixed tenure housing in Australia is not a new concept, it has not been as actively promoted in recent decades, although this has started to change in recent years (Arthurson 2008). The response to the concept of mixed tenure from the stakeholders provided the most divisive discussion point from the various design and governance approaches applied within the series of wider property and construction questions. This is not surprising considering the contestation around mixed tenure more broadly in the wider literature as identified above (Joseph and Chaskin 2010, Arthurson 2010, Sautkina *et al* 2012).

The majority of stakeholders stated that mixed tenure was a worthy planning objective and outcome in principle. However, some felt that mixed tenure was not something they would encourage further or even live in themselves. This saying one thing but doing another (either professionally or personally) highlights the challenge that planners and policy makers face in the provision of more affordable housing.

*Any type of affordable housing is critical. I think affordable housing is the missing link. We have public housing for public housing residents who are on the waiting list. We have enough private properties for people who can’t afford a mortgage but can afford private rental. (Property Manager 1)*

Most of the stakeholders identified that public or affordable housing has a stigma attached to it which makes mixed tenure developments challenging from a range of perspectives. The stakeholders felt that the general public had a perception that such housing attracts a lower quality of occupant resulting in impacts to liveability, property values and wider neighbourhood fabric. This stigma was not really based on any tangible evidence but was felt to be a longer term cultural issue in Australia. Some stakeholders suggested

that because of the perceived stigma, mixed tenure housing was only really suitable for the lower end of the property market and should be kept away from the higher, premium end of the market. As highlighted in the literature, there is limited evidence which demonstrates the actuality of perceived stigmas (Arthurson, 2010, Ruming, 2013).

*Do people want to buy there [if they know it is mixed tenure]? I don't think so. People in Melbourne are not use to that. Why would they pay the same price for that compared to if they don't have to be located next to public housing? (Property Researcher 1)*

*It probably comes down to the design of the building and how it [the mixed tenure] is integrated into the building. If you have all million dollar plus apartments along with community housing it is probably a mix which isn't going to work. But if it is investor grade stock and first home buyers it is probably going to work well. (Finance 1)*

*If the development is attached to public housing, it can create a stigma, and the market will determine what impact that will have on values. Typically that will put downward pressure on values, just from the perception of public housing. There is an example of a development in the Docklands where it is a mix of residents, including subsidised housing. And as a result that development has a stigma associated to it and in my belief is undervalued by 1-2%. (Valuer 2)*

The not-for profit property manager said that they had no evidence from across their multiple residential sites, both in Melbourne and Adelaide, that there was any real stigma attached to mixed tenure accommodation. Furthermore, counter to the above perspectives, the non-for profit property manager stated that mixed tenure developments they managed had a high level of interest for both public and private occupants to live there.

*At the onset there was a flood of interest in the building, it was one of the only buildings of such nature, with mixed tenure. (Property Manager 1)*

With regards to the specific design for incorporating mixed tenure (silo vs salt and pepper), there was split opinions from the stakeholders between those who thought salt and pepper was the best way to have mixed tenure housing, while others felt that siloed tenure options were better with separate public and private buildings side by side. The key factor of the siloed design camp was not to keep tenants (private/affordable) from mixing but to control building costs resulting in keeping the cost of living lower for affordable housing tenants. This included the ability to have lower quality finishes or amenity and to regulate maintenance and other costs (e.g. communal space lighting). It was also stated that in the case of government affordable housing, it was better that the government had control over the whole building to give more certainty for longer term planning and economics.

*It is a question of maintaining the building. If you have mixed tenure in salt and pepper, you all pay the same body corporate fees. I am not sure this is the most efficient way to structure a building. In the UK where I have had mixed tenure buildings, I have found that it has been better to separate the cores so the occupancy and entrance to one building is on one side and the other is on the other side. It doesn't matter that they are sitting next to each other but you can get more efficient maintenance costs of the lower socio-economic building. (Property Developer 5)*

*When it comes to the Victorian Government Department of Human Services (DHS) housing, we have a view that it is better to put DHS housing next door to private so they are separately operated. So they are separate buildings, rather than salt and pepper. The fundamental reason for that is the State has a long term ownership issue of housing...it is hard to have a perpetuity mindset for housing and property when you have to deal with a body cooperate or another structure. (Valuer 2)*

Furthermore, several of the stakeholders (particularly the developers) suggested there was a hierarchy which impacts on the acceptability from the public of the silo or salt and pepper approach. In this context these stakeholders felt that National Rental Affordability Scheme (NRAS) housing was more acceptable than other affordable housing options and would be more palatable for a salt and pepper development. This was because of the higher level of vetting of applications for living in NRAS dwellings so private occupants could have more confidence on the type of resident who would live next to them. In reality the stakeholders said such housing should be promoted as key worker housing to distance itself from the perceived stigma attached to public housing but that the public still had a low understanding about NRAS accommodation. Even though this was seen as a more acceptable mixed tenure outcome, few of the developers have

themselves engaged with such design, preferring to avoid affordable housing in their developments where possible.

*It is not an issue when it is key worker housing, so when it is shared equity it is not an issue, no one has an issue with that. When it is social housing it has the risk of effecting off the plan sales because people have a fear of the unknown of anything, so any unknown you add will impact on sales...you might have to discount [the property]. (Property Developer 5)*

*In fact you would almost rather be next to an NRAS as they have been means tested as you don't know what the guy next to you does. (Property Developer 2)*

While the stakeholders believed that mixed tenure and the provision of more affordable housing was a good outcome, there was a clear sense that there is still a significant way to go if mixed tenure accommodation is to be accepted both in the building industry and by the general public. The key challenge centres around the perception/stigma of affordable housing and improved education could help to address this.

## CONCLUSION

The urban landscape in many metropolitan cities is now dominated by high density dwellings. Those entering this marketplace have constrained choice, often with limited information, and rely on price point and visual features as the key purchase considerations. This is particularly the case for low-income households who are seeking affordable housing in well-connected and serviced areas. The mixing of tenure both within urban areas and within single developments has been increasing in recent years as a policy response to affordable housing and broader social and economic challenges. However there is little research or discussion about the benefits or challenges of various design types which directly target various tenure types.

This paper has explored two mixed tenure design approaches, silo and salt and pepper, to understand the different development and tenure challenges. This was completed by semi-structured interviews of fourteen leading Melbourne property professionals (developers, consultants and financiers). The main findings from the research were:

- i) That the inclusion of mixed tenure accommodation in a property development provided at times contrasting responses across the various stakeholders; where property managers embraced the Salt and Pepper concept, property developers and financiers were more reserved and focussed on the impact of disclosure and associated pricing issues.
- ii) Many stakeholders highlighted that a Silo design provide a better solution for maintaining a building and controlling costs.
- iii) Whilst silo designs might reduce costs, it negates many of the benefits of the 'role model' etc. discussed in the literature.
- iv) Whether silo or salt and pepper design, there is a clear message that there is a lack of education and understanding on the benefits and challenges of these design approaches, in terms of development feasibility and the broader social and economic considerations.

Whilst this research helps to show property professionals how a well-designed salt and pepper development can be delivered, key property stakeholder – government policy makers need to find ways to overcome the knowledge barrier and start addressing issues around the stigma of living next to or near social or affordable housing. Only once this is progressed will key property professionals feel more comfortable to pursue more innovative ways to deliver affordable housing outcomes. This challenge can form the platform for future research.

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## APPENDIX

Role in Organisation	Type of organisation	Location/Coverage	Code to be used for analysis
Director/Owner	Private property developer / Advisor – medium density infill developments	Melbourne inner suburbs	Property developer 1
Managing Director	Private property developer – high and medium density infill developments	Melbourne inner suburbs	Property developer 2
Senior Development Manager	Medium private developer – high and medium density infill developments	Melbourne CBD and inner suburbs	Property developer 3
General Manager, Residential, Victoria	Medium listed developer – high and medium density infill and land developments	Melbourne inner and outer suburbs. Also operates nationally	Property developer 4
General Manager, Apartment Developments	Large listed developer – high and medium density infill developments	Melbourne CBD and inner suburbs. Also operates nationally	Property developer 5
Fund Manager	Large superannuation fund developer – high and medium density infill and land developments	Melbourne CBD, inner and outer suburbs. Also operates nationally	Property developer 6
Director – Property Risk	National bank – all areas of property development	Melbourne all locations. Also operates nationally	Finance 1
Director –Independent Borrowers Advocate	Independent finance broker – all areas of property and development	Melbourne all locations. Also operates nationally	Finance 2
Manager – Government Valuations	Public valuer – all areas of property and development	Melbourne all locations. Also operates state wide	Valuer 1
Director – Residential Valuations	Private valuer – all areas of residential property and development	Melbourne CBD, inner and outer suburbs	Valuer 2
General Manager – Operations	Not-for-profit property manager – Community Housing Association – high and medium density housing	Melbourne inner suburbs. Also operates nationally	Property manager 1
Senior Property Manager	Private property manager – high, medium and low density housing	Melbourne inner suburbs	Property manager 2
Manager – Strategic Consulting	Real estate consultant – global multi-disciplinary property organisation, all areas of property and development	Melbourne all locations. Also operates nationally and overseas	Property researcher 1
Head of Research	Real estate researcher – local multi-disciplinary property organisation serving the residential property development community	Melbourne all locations. Also operates nationally	Property researcher 2

**Table 1: Interviewed Property Professionals**  
Source: Author